

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Branch County	County Branch
Fiscal Year End 12/31/05	Opinion Date 4/7/06	Date Audit Report Submitted to State 6/30/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

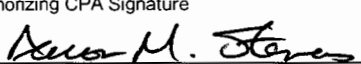
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit report	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	License Number 1101024055

**Branch County, Michigan**  
**FINANCIAL STATEMENTS**  
**December 31, 2005**

Branch County, Michigan

December 31, 2005

BOARD OF COMMISSIONERS

Ted Gordon	Chairperson
William Chinery	Vice-Chairperson
Jerry Hubbard	Commissioner
Dale Swift	Commissioner
Norman Heinemann	Commissioner
Imorean Rubley	Commissioner
Rodney Olney	Commissioner
Jon Houtz	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Duke Anderson	Administrator
Sandra Thatcher	Treasurer
Terry Kulasiak	Clerk
Nancy Hutchins	Register of Deeds
Michael Hard	Drain Commissioner
Kirk Kashian	Prosecuting Attorney
Warren Canon	Sheriff

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of Branch County  
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Branch County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Branch County Road Commission or the Community Health Center. The Branch County Road Commission represents 28% and 10%, respectively, of the assets and revenues of the aggregate discretely presented component units. The Community Health Center represents 44% and 80%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Branch County Road Commission and the Community Health Center is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2006 on our consideration of Branch County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Branch County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 7, 2006

## Branch County, Michigan

### Management's Discussion and Analysis

December 31, 2005

The following is a discussion and analysis of Branch County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2005. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page i of this report, and with the County's financial statements, which follow this section.

Certain limited financial information is presented with respect to the Branch County Road Commission, Branch-Hillsdale-St. Joseph Community Health Agency, and Community Health Center. The reader should refer to the Road Commission's, Community Health Agency's and Community Health Center's separately issued financial statements for more detailed information.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

- Total net assets as of December 31, 2005, were \$29,832,671 (excluding component units).
- Governmental activities net assets were \$15,322,637.
- Business-type activities net assets were \$14,510,034.
- Component Unit net assets were \$81,795,028.

#### Fund Level:

- At the close of the fiscal year, the County's governmental funds reported a total ending fund balance of \$5,913,909 with \$419,396 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$606,089 more in revenues and other financing sources than anticipated for the fiscal year. However, General Fund operations also expended \$278,548 more than appropriated.
- Overall, the General Fund balance increased by \$180,072 to \$1,553,730 with \$1,382,935 undesignated or available for general purposes.

#### Capital and Long-term Debt Activities:

- The primary government issued \$141,861 in new debt during the fiscal year.
- The total long-term debt for the primary government was \$11,159,718 with a net reduction of \$768,771 from the prior year.
- The Drainage Districts issued \$99,500 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts and Board of Public Works only) was \$5,137,740 with a net reduction of \$208,330 from the prior year.
- The long-term debt for the Road Commission was \$604,143 and \$5,137,526 for the Community Health Center.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government were \$1,511,014 and included such purchases as six new sheriff patrol vehicles, runway improvements and lawn equipment for the Airport, and a new computer documenting system for the Register of Deeds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and proprietary funds and other financial data.



Branch County, Michigan  
Management's Discussion and Analysis  
December 31, 2005

**Government-wide Financial Statements (Reporting the County as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the County's net assets changed during 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Commission on Aging and Friend of the Court Funds.
- **Business-type Activities** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Delinquent Tax Revolving Fund, County Medical Facility Fund, and Jail Inmate Commissary are examples of these activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Five organizations are included as component units: the Branch County Road Commission, Branch-Hillsdale-St. Joseph Community Health Agency, Drainage Districts, Board of Public Works, and the Community Health Center.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

Branch County, Michigan  
Management's Discussion and Analysis

December 31, 2005

- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

### **Fund Financial Statements (Reporting the County's Major Funds)**

The fund financial statements, which begin on page 3, provide information on the County's significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Commission on Aging and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Flexible Benefit Insurance Fund) as well as enterprise funds such as the Inmate Store and Tax Payment Funds.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Branch County include the General Fund, the Revenue Sharing Reserve Fund, the Commission on Aging Fund, the Delinquent Tax Revolving Fund, the Emergency Services Fund, the Jail Millage Fund and the Medical Care Facility Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Revolving Drain Equipment Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Branch County, Michigan  
Management's Discussion and Analysis  
December 31, 2005

- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 19 and 20. These funds, which include trust and agency funds and the Pension Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

### Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 24 of this report.

### Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

### Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As previously stated, Branch County's combined net assets were \$29,832,671 at the end of this fiscal year's operations. The net assets of the governmental activities were \$15,322,637; the business type activities were \$14,510,034.

### Net Assets as of December 31, 2005 and 2004

	Governmental Activities 2005	Governmental Activities 2004	Business Type Activities 2005	Business Type Activities 2004	Total Primary Government 2005	Total Primary Government 2004
Current and Other Assets	\$ 10,561,600	\$ 10,609,063	\$ 10,998,025	\$ 10,863,270	\$ 21,559,625	\$ 21,472,333
Capital Assets	<u>20,304,932</u>	<u>20,584,887</u>	<u>4,170,454</u>	<u>4,421,246</u>	<u>24,475,386</u>	<u>25,006,133</u>
<b>Total Assets</b>	<b><u>\$ 30,866,532</u></b>	<b><u>\$ 31,193,950</u></b>	<b><u>\$ 15,168,479</u></b>	<b><u>\$ 15,284,516</u></b>	<b><u>\$ 46,035,011</u></b>	<b><u>\$ 46,478,466</u></b>
Current Liabilities	\$ 1,409,644	\$ 1,476,317	\$ 479,009	\$ 286,840	\$ 1,888,653	\$ 1,763,157
Noncurrent Liabilities	<u>14,134,251</u>	<u>16,317,596</u>	<u>179,436</u>	<u>395,231</u>	<u>14,313,687</u>	<u>16,712,827</u>
<b>Total Liabilities</b>	<b><u>\$ 15,543,895</u></b>	<b><u>\$ 17,793,913</u></b>	<b><u>\$ 658,445</u></b>	<b><u>\$ 682,071</u></b>	<b><u>\$ 16,202,340</u></b>	<b><u>\$ 18,475,984</u></b>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 10,202,224	\$ 9,730,704	\$ 4,170,454	\$ 4,421,246	\$ 14,372,678	\$ 14,151,950
Restricted	3,025,853	1,937,100	26,698	24,841	3,052,551	1,961,941
Unrestricted	<u>2,094,560</u>	<u>1,732,233</u>	<u>10,312,882</u>	<u>10,156,358</u>	<u>12,407,442</u>	<u>11,888,591</u>
<b>Total Net Assets</b>	<b><u>\$ 15,322,637</u></b>	<b><u>\$ 13,400,037</u></b>	<b><u>\$ 14,510,034</u></b>	<b><u>\$ 14,602,445</u></b>	<b><u>\$ 29,832,671</u></b>	<b><u>\$ 28,002,482</u></b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's primary government net assets changed during the fiscal year:

Branch County, Michigan  
Management's Discussion and Analysis  
December 31, 2005

**Changes in Net Assets for the Fiscal Year Ending December 31, 2005 and 2004**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>	<u>Business Type Activities 2005</u>	<u>Business Type Activities 2004</u>	<u>Total 2005</u>	<u>Total 2004</u>
<b>Revenues</b>						
Charges for Services	\$ 4,543,540	\$ 4,871,913	\$ 7,871,282	\$ 7,408,173	\$ 12,414,822	\$ 12,280,086
Grants and Contributions	3,608,716	3,308,227	1,210,793	4,868,075	4,819,509	8,176,302
General Revenues						
Property Taxes	9,350,338	9,021,249	-	-	9,350,338	9,021,249
State Shared Revenue	-	382,801	-	-	-	382,801
Investment Earnings	222,433	121,376	247,973	161,180	470,406	282,556
Miscellaneous	<u>756,005</u>	<u>312,719</u>	<u>8,789</u>	<u>4,611</u>	<u>764,794</u>	<u>317,330</u>
<b>Total Revenues</b>	<b>18,481,032</b>	<b>18,018,285</b>	<b>9,338,837</b>	<b>12,442,039</b>	<b>27,819,869</b>	<b>30,460,324</b>
<b>Expenses</b>						
General Government	6,788,116	6,316,489	-	-	6,788,116	6,316,489
Public Safety	4,519,548	4,354,429	-	-	4,519,548	4,354,429
Public Works	285,466	311,421	-	-	285,466	311,421
Health and Welfare	3,737,123	3,816,203	-	-	3,737,123	3,816,203
Community and Econ. Dev.	104,717	55,260	-	-	104,717	55,260
Recreation and Cultural	253,212	195,832	-	-	253,212	195,832
Other	<u>1,188,955</u>	<u>995,030</u>	<u>8,751,221</u>	<u>12,313,003</u>	<u>9,940,176</u>	<u>13,308,033</u>
<b>Total Expenses</b>	<b>16,877,137</b>	<b>16,044,664</b>	<b>8,751,221</b>	<b>12,313,003</b>	<b>25,628,358</b>	<b>28,357,667</b>
Excess (deficiency)	1,603,895	1,973,621	587,616	129,036	2,191,511	2,102,657
Transfers	<u>680,027</u>	<u>612,431</u>	<u>( 680,027 )</u>	<u>( 612,431 )</u>	<u>-0-</u>	<u>-0-</u>
<b>Increase (decrease) in Net Assets</b>	<b>2,283,922</b>	<b>2,586,052</b>	<b>( 92,411 )</b>	<b>( 483,395 )</b>	<b>2,191,511</b>	<b>2,102,657</b>
Restated Net Assets - Beginning	<u>13,038,715</u>	<u>10,813,985</u>	<u>14,602,445</u>	<u>15,085,840</u>	<u>27,641,160</u>	<u>25,899,825</u>
<b>Net Assets - Ending</b>	<b><u>\$15,322,637</u></b>	<b><u>\$13,400,037</u></b>	<b><u>\$14,510,034</u></b>	<b><u>\$14,602,445</u></b>	<b><u>\$ 29,832,671</u></b>	<b><u>\$ 28,002,482</u></b>

**Governmental Activities:**

The result of 2005 governmental activity was an increase of \$2,283,922 to lift net assets to \$15,322,637. Of the total governmental activities' net assets, \$10,202,224 is invested in capital assets less related debt, \$3,025,853 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$2,094,560 is listed as unrestricted, having no legal commitment.

**Revenues:**

The three largest revenue categories for governmental activities were property taxes at 51%, charges for services at 25%, and grants and contributions at 20%. The County levied five property tax millages for the 2004 tax levy which is recognized as revenue in 2005, one being for general government operations at 3.1919 mills, which is not assigned to any particular activity, one for 911 Operating at .7500 mills, one for commission of aging (operating) at .7383 mills, one for Jail and Law Enforcement at .4885 mills, and one for veterans relief at .1000. Charges for services, which reimburse the County for specific activities, are the second largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate telephone charges. Grants and contributions are the third largest source of governmental activity revenue.

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**Expenses:**

General government is the largest governmental activity, expending \$6,788,116 of the \$16,877,137 governmental activities total and includes offices such as Circuit Court, District Court, Probate/Juvenile Court, Prosecuting Attorney, Board of Commissioners, Treasurer, Clerk, Register of Deeds, Elections and MSU Extension. Public Safety is the second largest area, expending \$4,519,548. Public Safety includes the Sheriff's Department administration, Road Patrol and Jail operations.

**Business-type Activities:**

Net assets in business-type activities decreased by \$92,411 during 2005. The majority of this decrease was a result of a decrease of \$97,004 in the Delinquent Tax Revolving Fund net assets.

Of the total business-type activities net assets, \$10,312,882 is reported as unrestricted. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

**FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS**

As the County completed 2005, its governmental funds reported *combined* fund balances of \$5,913,909 a net increase of \$1,559,051, including prior period adjustments. The net changes are summarized in the following chart:

	General Fund	Revenue Sharing Reserve	Commission on Aging	Emergency Services	Jail Millage	Nonmajor Governmental Funds
<b>Fund Balance 12/31/04</b>	\$ 1,373,658	\$ 1,373,635	\$ 164,367	\$ 483,450	\$ 74,782	\$ 884,966
<b>Fund Balance 12/31/05</b>	\$ 1,553,730	\$ 2,331,152	\$ 192,410	\$ 632,970	\$ 114,597	\$1,089,050
<b>Net Change</b>	\$ 180,072	\$ 957,517	\$ 28,043	\$ 149,520	\$ 39,815	\$ 204,084

The General Fund balance increased by \$180,072. This is mainly due to greater than anticipated lease proceeds and transfers in from other funds. The Revenue Sharing Reserve Fund balance increased by \$957,517. The Commission on Aging Fund balance increased by \$28,043. The Emergency Services Fund increased by \$149,520. The Jail Millage fund balance increased by \$39,815. The combined nonmajor funds increased by \$200,084 due mainly to increases of \$194,985 in the Child Care Probate Fund, and \$101,390 to the Commission on Aging Facility Fund.

**General Fund:**

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2005, the General Fund reported a fund balance of \$1,553,730. This amount is an increase of \$180,072 from the fund balance of \$1,373,658 reported as of December 31, 2004. Of the total fund balance, \$170,795 is reserved, designated or earmarked for specific purposes.

The General Fund 2005 revenues exceeded 2005 expenditures by \$180,072 however; the General Fund also supports the operations of other funds including the Child Care Funds, Friend of the Court, Circuit Court Law Library Fund, and the Airport Fund.

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**General Fund Budgetary Highlights:**

Branch County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$12,097,434, \$606,089 above the final amended budget. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy. Significantly, property tax revenue was \$191,525 greater than budgeted amounts.

The County's General Fund total expenditures and other financing uses budget was increased by \$85,983 (just slightly more than 1/2% above the original budget) during 2005. Amendments that increased costs to the general fund within the year included the wireless communication project between the Sheriff's Department, County Courts, and the Emergency/911 Center and increased levels of invoices for autopsies performed by the Medical Examiner's Office.

Actual County expenditures for 2005 were \$278,548 above budget. This is due to several reasons including:

- \$133,523 more than planned expenditures for personnel in the Sheriff's Department.
- \$99,660 more than planned transfers to other funds.

**Revenue Sharing Reserve Fund:**

As of the last quarter of 2004, the State eliminated State Shared Revenue payments to Counties. In its place Counties are allowed to move up the collection of the levied County allocated millage. Part of the early collection is placed in the Revenue Sharing Reserve Fund. Counties are then allowed to draw down these funds in lieu of receiving State Shared Revenue payments. As of December 31, 2005, the Revenue Sharing Reserve Fund reported a balance of \$2,331,152, an increase of \$957,517 from the prior year. Of the total fund balance, all \$2,331,152 is undesignated/unreserved.

**Commission on Aging Fund:**

The Branch County Commission on Aging through the New Horizons Senior Center provides a variety of health and recreation services and activities for the betterment of the senior citizens of the County. Funding is received through sources that include county millage, state and federal grants, and fees and donations generated locally. As of December 31, 2005, the Commission on Aging Fund reported a balance of \$192,410, an increase of \$28,043 from the prior year. Of the total balance, all \$192,410 is undesignated/unreserved.

**Emergency Services Fund:**

Emergency Services Fund includes a 24-hour a day; 7 days a week central dispatch facility as well as the County's emergency management response. This department answers all emergency and non-emergency calls for service for police, fire, and EMS in Branch County. The program is primarily funded by a millage. As of December 31, 2005, the Emergency Services Fund reported a fund balance of \$632,970, an increase of \$149,520 from the prior year. Of the total fund balance, all \$632,970 is undesignated/unreserved.

**Significant Changes - Other Major Funds:**

GASB Statement No. 34 requires that funds designated as "major" be presented as a separate column on the face of the financial statements. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The County's Jail Millage Fund was a considered major fund in 2005, but it was not considered major in 2004.

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**CAPITAL ASSETS ADMINISTRATION**

Capital Assets - At the end of Fiscal Year 2005, the County had invested \$24,475,386 for the primary government and \$14,518,645 for the component units (excluding the Community Health Agency, Road Commission, and Community Mental Health Services, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$15,826,022 for the primary government. Depreciation charges for the fiscal year totaled \$1,628,797 for the primary government and \$484,096 for the component units.

	Governmental Activities	Business- type Activities	Component Unit Drains	Component Unit Board of Public Works	Total
Land	\$ 1,050,627	\$ -	\$ -	\$ 1,096,843	\$ 2,147,470
Land improvements, net	2,756,500	227,377	-	-	2,983,877
Buildings, net	12,469,672	3,594,373	-	2,989,038	19,053,083
Equipment, net	3,575,845	348,704	-	232,305	4,156,854
Vehicles, net	452,288	-	-	-	452,288
Drains, net	-	-	1,592,175	-	1,592,175
Sewer, net	-	-	-	8,608,284	8,608,284
Capital assets, net	<u>\$ 20,304,932</u>	<u>\$ 4,170,454</u>	<u>\$ 1,592,175</u>	<u>\$12,926,470</u>	<u>\$ 38,994,031</u>

**BRANCH COUNTY GOVERNMENT ECONOMIC OUTLOOK:**

- State revenue sharing has been eliminated due to state budget problems.
- Other state and federal revenues and/or grants are stagnant.
- Property tax revenue is not rising as rapidly as in past years.
- Investment earnings are near historically low levels.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Liability insurance premiums are rising much faster than the rate of inflation.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2006. A usage of \$175,000 of the County's limited fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

**CONTACTING THE COUNTY**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Branch County Treasurer's Office at (517) 279-4321 or Branch County Administrator's Office at (517) 279-4301.

## **BASIC FINANCIAL STATEMENTS**



## Branch County, Michigan

## STATEMENT OF NET ASSETS

December 31, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 288,683	\$ 3,663,433	\$ 3,952,116	\$ 8,694,664
Investments	3,428,910	884,782	4,313,692	2,984,791
Invesments - restricted	-	-	-0-	5,388,278
Receivables	6,143,394	1,785,722	7,929,116	13,477,216
Inventories	4,081	-	4,081	2,182,679
Prepaid expenses	13,500	60,697	74,197	-
Other current assets	-	-	-0-	1,369,967
Due from other governmental units	536,257	-	536,257	1,054,063
Total current assets	10,414,825	6,394,634	16,809,459	35,151,658
Noncurrent assets				
Restricted cash and cash equivalents	-	1,961,575	1,961,575	-
Restricted investments	-	703,449	703,449	1,553,513
Noncurrent investments	-	1,938,367	1,938,367	-
Lease receivable	-	-	-0-	-
Advance to other governmental units	144,000	-	144,000	-
Capital assets not being depreciated	1,050,627	-	1,050,627	6,422,404
Capital assets, net of accumulated depreciation	19,254,305	4,170,454	23,424,759	55,585,245
Other noncurrent assets	-	-	-0-	510,521
Total noncurrent assets	20,448,932	8,773,845	29,222,777	64,071,683
TOTAL ASSETS	30,863,757	15,168,479	46,032,236	99,223,341
LIABILITIES				
Current liabilities				
Accounts payable	175,871	116,985	292,856	2,162,665
Accrued payroll	160,676	80,328	241,004	108,638
Other accrued liabilities	157,715	34,949	192,664	3,588,868
Due to other governmental units	63,736	24,145	87,881	109,000
Payable from restricted assets- due to patients	-	10,125	10,125	-
Short-term debt	-	-	-0-	322,100
Deferred revenue	-	-	-0-	169,001
Current portion of compensated absences	66,510	212,477	278,987	151,254
Current portion of long-term debt	785,136	-	785,136	992,993
Total current liabilities	1,409,644	479,009	1,888,653	7,604,519
Noncurrent liabilities				
Deferred revenue	4,184,092	-	4,184,092	-
Advance from other governmental units	34,000	-	34,000	35,000
Compensated absences	598,587	179,436	778,023	42,661
Noncurrent portion of long-term debt	9,317,572	-	9,317,572	9,746,133
Total noncurrent liabilities	14,134,251	179,436	14,313,687	9,823,794
TOTAL LIABILITIES	15,543,895	658,445	16,202,340	17,428,313
NET ASSETS				
Invested in capital assets, net of related debt	10,202,224	4,170,454	14,372,678	55,292,391
Restricted for:				
Public safety	114,597	-	114,597	-
Debt service	-	-	-0-	804,903
Other purposes	2,911,256	26,698	2,937,954	2,741,660
Unrestricted	2,091,785	10,312,882	12,404,667	22,956,074
TOTAL NET ASSETS	\$ 15,319,862	\$ 14,510,034	\$ 29,829,896	\$ 81,795,028

See accompanying notes to financial statements.

Branch County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 6,790,891	\$ 2,264,494	\$ 1,933,041	\$ 727,401	\$ (1,865,955)	\$ -	\$ (1,865,955)	\$ -
Public safety	4,519,548	863,190	144,879	-	(3,511,479)	-	(3,511,479)	-
Public works	285,466	-	-	-	(285,466)	-	(285,466)	-
Health and welfare	3,737,123	930,143	803,395	-	(2,003,585)	-	(2,003,585)	-
Community and economic development	104,717	-	-	-	(104,717)	-	(104,717)	-
Recreation and cultural	253,212	316,688	-	-	63,476	-	63,476	-
Other	631,446	-	-	-	(631,446)	-	(631,446)	-
Interest on long-term debt	557,509	169,025	-	-	(388,484)	-	(388,484)	-
Total governmental activities	16,879,912	4,543,540	2,881,315	727,401	(8,727,656)	-0-	(8,727,656)	-0-
Business-type activities:								
Delinquent tax revolving	9,224	426,823	-	-	-	417,599	417,599	-
Medical care facility	8,618,721	7,341,406	1,210,793	-	-	(66,522)	(66,522)	-
Jail commissary	123,276	103,053	-	-	-	(20,223)	(20,223)	-
Total business-type activities	8,751,221	7,871,282	1,210,793	-0-	-0-	330,854	330,854	-0-
Total primary government	<u>\$ 25,631,133</u>	<u>\$ 12,414,822</u>	<u>\$ 4,092,108</u>	<u>\$ 727,401</u>	<u>(8,727,656)</u>	<u>330,854</u>	<u>(8,396,802)</u>	<u>-0-</u>
Component units:								
Road Commission	\$ 7,137,013	\$ 2,425,414	\$ 4,278,265	\$ 176,133	-	-	-0-	(257,201)
Branch - Hillsdale -St. Joseph								
Community Health Agency	6,493,322	886,713	4,704,444	-	-	-	-0-	(902,165)
Drainage Districts	605,036	-	-	618,832	-	-	-0-	13,796
Board of Public Works	1,052,415	568,185	-	31,890	-	-	-0-	(452,340)
Community Health Center	55,766,217	56,002,365	142,735	-	-	-	-0-	378,883
Total component units	<u>\$ 71,054,003</u>	<u>\$ 59,882,677</u>	<u>\$ 9,125,444</u>	<u>\$ 826,855</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,219,027)</u>
General revenues:								
Property taxes					9,350,338	-	9,350,338	-
Investment earnings					222,433	247,973	470,406	504,584
Appropriations					-	-	-0-	947,187
Cigarette tax					-	-	-0-	60,706
Miscellaneous					807,647	8,789	816,436	393,634
Special item - Loss on disposal of assets					(51,642)	-	(51,642)	-
Transfers					680,027	(680,027)	-0-	-
Total general revenues, special item, and transfers					11,008,803	(423,265)	10,585,538	1,906,111
Change in net assets					2,281,147	(92,411)	2,188,736	687,084
Restated net assets, beginning of the year					13,038,715	14,602,445	27,641,160	81,107,944
Net assets, end of the year					<u>\$ 15,319,862</u>	<u>\$ 14,510,034</u>	<u>\$ 29,829,896</u>	<u>\$ 81,795,028</u>

See accompanying notes to financial statements.

Branch County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

	General	Revenue Sharing Reserve	Commission on Aging
<b>ASSETS</b>			
Cash and cash equivalents	\$ (2,176,201)	\$ 618,979	\$ 203,488
Investments	3,328,910	-	-
Accounts receivable	34,247	-	6,294
Taxes receivable	2,042,826	1,712,173	824,188
Loans receivable	-	-	-
Inventories	-	-	-
Prepays	-	-	-
Due from other funds	-	-	5,199
Due from other governmental units -			
Local	13,281	-	-
Federal/State	296,878	-	-
Advances to other funds	10,000	-	-
Advances to other governmental units	144,000	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,693,941</b>	<b>\$ 2,331,152</b>	<b>\$ 1,039,169</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 104,103	\$ -	\$ 14,819
Accrued payroll	121,237	-	7,201
Other accrued liabilities	4,213	-	551
Due to other funds	-	-	-
Due to other governmental units	59,428	-	-
Advance from State	-	-	-
Deferred revenue	1,851,230	-	824,188
<b>TOTAL LIABILITIES</b>	<b>2,140,211</b>	<b>-0-</b>	<b>846,759</b>
<b>FUND BALANCES</b>			
Reserved for:			
Inventories	-	-	-
Prepays	-	-	-
Grant expenditures	-	-	-
Advances	154,000	-	-
Veterans	260	-	-
Remonumentation	16,535	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
General fund	1,382,935	-	-
Special revenue funds	-	2,331,152	192,410
<b>TOTAL FUND BALANCES</b>	<b>1,553,730</b>	<b>2,331,152</b>	<b>192,410</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,693,941</b>	<b>\$ 2,331,152</b>	<b>\$ 1,039,169</b>

See accompanying notes to financial statements.

Emergency Services	Jail Millage	Nonmajor Governmental Funds	Total Governmental Funds
\$ 615,865	\$ 114,597	\$ 878,893	\$ 255,621
-	-	100,000	3,428,910
9,934	-	5,058	55,533
837,289	548,304	111,541	6,076,321
-	-	11,540	11,540
-	-	370	370
-	-	13,500	13,500
-	-	-	5,199
-	-	-	13,281
31,919	-	194,179	522,976
-	-	-	10,000
-	-	-	144,000
<u>\$ 1,495,007</u>	<u>\$ 662,901</u>	<u>\$ 1,315,081</u>	<u>\$ 10,537,251</u>
\$ 6,655	\$ -	\$ 50,294	\$ 175,871
17,245	-	14,993	160,676
678	-	1,239	6,681
-	-	5,199	5,199
170	-	-	59,598
-	-	34,000	34,000
837,289	548,304	123,081	4,184,092
<u>862,037</u>	<u>548,304</u>	<u>228,806</u>	<u>4,626,117</u>
-	-	370	370
-	-	13,500	13,500
-	-	24,980	24,980
-	-	-	154,000
-	-	-	260
-	-	-	16,535
-	-	6,624	6,624
-	-	200,352	200,352
-	-	-	1,382,935
<u>632,970</u>	<u>114,597</u>	<u>840,449</u>	<u>4,111,578</u>
<u>632,970</u>	<u>114,597</u>	<u>1,086,275</u>	<u>5,911,134</u>
<u>\$ 1,495,007</u>	<u>\$ 662,901</u>	<u>\$ 1,315,081</u>	<u>\$ 10,537,251</u>

Branch County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2005

**Total fund balances - governmental funds** \$ 5,911,134

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 31,015,672	
Accumulated depreciation is	<u>(10,710,740)</u>	
Capital assets, net		20,304,932

Internal Service Funds are used by management to charge the costs  
of certain activities to individual funds. The assets and liabilities  
of the Internal Service Funds are included in the governmental activities  
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	22,735	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(100)</u>	
		22,635

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Direct County obligations	\$ 10,102,708	
Accrued interest payable	151,034	
Compensated absences	<u>665,097</u>	
		<u>(10,918,839)</u>

**Net assets of governmental activities** \$ 15,319,862

## Branch County, Michigan

## Governmental Funds

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	General	Revenue Sharing Reserve	Commission on Aging
REVENUES			
Taxes	\$ 5,432,589	\$ 1,712,173	\$ 506,283
Licenses and permits	108,959	-	-
Intergovernmental	1,048,147	-	83,320
Charges for services	2,002,226	-	179,383
Fines and forfeits	136,894	-	-
Interest and rents	568,428	24,859	19,095
Other	683,372	-	9,843
TOTAL REVENUES	9,980,615	1,737,032	797,924
EXPENDITURES			
Current			
General government	5,356,224	-	-
Public safety	3,824,620	-	-
Public works	63,530	-	-
Health and welfare	679,713	-	823,945
Community and economic development	7,020	-	-
Recreation and cultural	2,000	-	-
Other	631,446	-	-
Capital outlay	-	-	33,041
Debt service	49,351	-	-
TOTAL EXPENDITURES	10,613,904	-0-	856,986
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(633,289)	1,737,032	(59,062)
OTHER FINANCING SOURCES (USES)			
Lease proceeds	141,861	-	-
Transfers in	1,974,958	-	87,105
Transfers out	(1,303,458)	(779,515)	-
TOTAL OTHER FINANCING SOURCES (USES)	813,361	(779,515)	87,105
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	180,072	957,517	28,043
Fund balances, beginning of year	1,373,658	1,373,635	164,367
Fund balances, end of year	\$ 1,553,730	\$ 2,331,152	\$ 192,410

See accompanying notes to financial statements.

Emergency Services	Jail Millage	Nonmajor Governmental Funds	Total Governmental Funds
\$ 798,681	\$ 526,544	\$ 374,069	\$ 9,350,339
-	-	380,923	489,882
15,456	-	2,856,048	4,002,971
359,683	-	518,460	3,059,752
-	-	13,696	150,590
18,734	8,988	60,204	700,308
506	-	79,726	773,447
1,193,060	535,532	4,283,126	18,527,289
-	-	1,190,444	6,546,668
-	5,017	363,977	4,193,614
-	-	-	63,530
847,817	-	1,188,216	3,539,691
-	-	-	7,020
-	-	205,999	207,999
-	-	-	631,446
65,131	15,700	1,120,640	1,234,512
159,398	-	1,159,672	1,368,421
1,072,346	20,717	5,228,948	17,792,901
120,714	514,815	(945,822)	734,388
-	-	-	141,861
28,806	-	1,390,877	3,481,746
-	(475,000)	(243,746)	(2,801,719)
28,806	(475,000)	1,147,131	821,888
149,520	39,815	201,309	1,556,276
483,450	74,782	884,966	4,354,858
<u>\$ 632,970</u>	<u>\$ 114,597</u>	<u>\$ 1,086,275</u>	<u>\$ 5,911,134</u>

Branch County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

**Net change in fund balances - total governmental funds** **\$ 1,556,276**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,426,857	
Depreciation expense	<u>(1,293,848)</u>	
Excess of capital outlay over depreciation expense		133,009

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net income from governmental activities accounted for in Internal Service Funds	3,501	
Depreciation expense of Internal Service Funds included in the total above	<u>889</u>	
		4,390

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal and capital lease retirement	893,336	
Capital lease proceeds	<u>(141,861)</u>	
		751,475

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Loss on disposal of capital assets	(51,642)	
(Increase) in accrued interest payable	(82,424)	
(Increase) in accrued compensated absences	<u>(29,937)</u>	
		<u>(164,003)</u>

**Change in net assets of governmental activities** **\$ 2,281,147**

See accompanying notes to financial statements.



Branch County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,707,672	\$ 919,480	\$ 36,281
Investments	825,782	59,000	-
Accounts receivable	-	615,915	-
Delinquent taxes receivable	1,169,807	-	-
Inventories	-	-	-
Prepaid expenses	-	60,697	-
Total current assets	4,703,261	1,655,092	36,281
Noncurrent assets			
Investments	1,938,367	-	-
Restricted cash and cash equivalents	-	1,961,575	-
Restricted investments	-	703,449	-
Capital assets, net of accumulated depreciation	-	4,170,454	-
Total noncurrent assets	1,938,367	6,835,478	-0-
<b>TOTAL ASSETS</b>	<b>6,641,628</b>	<b>8,490,570</b>	<b>36,281</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	111,344	5,641
Accrued payroll	-	80,328	-
Other accrued liabilities	-	34,949	-
Due to other governmental units	1,762	22,383	-
Payable from restricted assets - due to patients	-	10,125	-
Current portion of compensated absences	-	212,477	-
Total current liabilities	1,762	471,606	5,641
Noncurrent liabilities			
Advance from other funds	-	-	-
Noncurrent portion of compensated absences	-	179,436	-
Total noncurrent liabilities	-0-	179,436	-0-
<b>TOTAL LIABILITIES</b>	<b>1,762</b>	<b>651,042</b>	<b>5,641</b>

Activities	Governmental Activities
Total	Internal Service Fund (Revolving Drain Equipment)
\$ 3,663,433	\$ 33,062
884,782	-
615,915	-
1,169,807	-
-0-	3,711
60,697	-
6,394,634	36,773
1,938,367	-
1,961,575	-
703,449	-
4,170,454	100
8,773,845	100
15,168,479	36,873
116,985	-
80,328	-
34,949	-
24,145	4,138
10,125	-
212,477	-
479,009	4,138
-0-	10,000
179,436	-
179,436	10,000
658,445	14,138

Branch County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS - CONTINUED

December 31, 2005

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
NET ASSETS			
Invested in capital assets, net of related debt	\$ -	\$ 4,170,454	\$ -
Restricted for			
Memorials	-	26,698	-
Unrestricted	<u>6,639,866</u>	<u>3,642,376</u>	<u>30,640</u>
 TOTAL NET ASSETS	 <u>\$ 6,639,866</u>	 <u>\$ 7,839,528</u>	 <u>\$ 30,640</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
	<u>(Revolving Drain Equipment)</u>
<u>Total</u>	
\$ 4,170,454	\$ 100
26,698	-
<u>10,312,882</u>	<u>22,635</u>
<u>\$ 14,510,034</u>	<u>\$ 22,735</u>

Branch County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
OPERATING REVENUES			
Sales	\$ -	\$ 3,027	\$ 103,053
Interest on taxes	286,108	-	-
Charges for services	120,564	7,281,970	-
Other	20,151	56,409	-
TOTAL OPERATING REVENUES	426,823	7,341,406	103,053
OPERATING EXPENSES			
Personal services	-	4,297,882	21,806
Fringe benefits	-	1,279,193	-
Operating supplies	-	310,522	101,270
Contractual services	-	737,650	-
Depreciation	-	334,949	-
Other	9,224	491,707	200
TOTAL OPERATING EXPENSES	9,224	7,451,903	123,276
OPERATING INCOME (LOSS)	417,599	(110,497)	(20,223)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	165,424	82,549	-
Intergovernmental transfers in	-	1,210,793	-
Intergovernmental transfers out	-	(1,038,303)	-
Maintenance of effort	-	(127,991)	-
Memorial revenue	-	8,789	-
Memorial expense	-	(524)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	165,424	135,313	-0-
INCOME (LOSS) BEFORE TRANSFERS	583,023	24,816	(20,223)
TRANSFERS OUT	(680,027)	-	-
CHANGE IN NET ASSETS	(97,004)	24,816	(20,223)
Net assets, beginning of year	6,736,870	7,814,712	50,863
Net assets, end of year	\$ 6,639,866	\$ 7,839,528	\$ 30,640

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Fund (Revolving Drain Equipment)
\$ 106,080	\$ -
286,108	-
7,402,534	-
76,560	4,681
7,871,282	4,681
4,319,688	-
1,279,193	-
411,792	-
737,650	-
334,949	889
501,131	995
7,584,403	1,884
286,879	2,797
247,973	704
1,210,793	-
(1,038,303)	-
(127,991)	-
8,789	-
(524)	-
300,737	704
587,616	3,501
(680,027)	-
(92,411)	3,501
14,602,445	19,234
<u>\$ 14,510,034</u>	<u>\$ 22,735</u>

Branch County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 539,476	\$ 7,093,214	\$ 103,053
Cash paid to suppliers	(10,402)	(1,588,091)	(100,564)
Cash paid for employee benefits	-	(1,279,193)	-
Cash paid to employees	-	(4,281,003)	(21,806)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	529,074	(55,073)	(19,317)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Maintenance of effort	-	(127,991)	-
Memorial revenue	-	8,789	-
Memorial expense	-	(524)	-
Transfers out	(680,027)	-	-
Intergovernmental transfers in	-	1,210,793	-
Intergovernmental transfers out	-	(1,038,303)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(680,027)	52,764	-0-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVATES			
Capital acquisitions	-	(84,157)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(2,764,149)	(762,449)	-
Maturity of investments	3,734,801	1,952,557	-
Interest revenue	165,424	82,549	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,136,076	1,272,657	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	985,123	1,186,191	(19,317)
Cash and cash equivalents, beginning of year	1,722,549	1,694,864	55,598
Cash and cash equivalents, end of year	\$ 2,707,672	\$ 2,881,055	\$ 36,281

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Fund (Revolving Drain Equipment)
\$ 7,735,743	\$ 4,681
(1,699,057)	(921)
(1,279,193)	-
(4,302,809)	-
454,684	3,760
(127,991)	-
8,789	-
(524)	-
(680,027)	-
1,210,793	-
(1,038,303)	-
(627,263)	-0-
(84,157)	-
(3,526,598)	-
5,687,358	-
247,973	704
2,408,733	704
2,151,997	4,464
3,473,011	28,598
\$ 5,625,008	\$ 33,062



Branch County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 417,599	\$ (110,497)	\$ (20,223)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	-	334,949	-
(Increase) decrease in accounts receivable	659	(248,192)	-
Decrease in delinquent taxes receivable	111,994	-	-
Decrease in inventories	-	-	-
(Increase) in prepaid expenses	-	(7,979)	-
Increase (decrease) in accounts payable	(828)	18,658	906
Increase in accrued payroll	-	16,879	-
(Decrease) in other accrued liabilities	(1,392)	(55,773)	-
Increase in due to other governmental units	1,042	153	-
(Decrease) in due to patients	-	(3,271)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 529,074</u>	<u>\$ (55,073)</u>	<u>\$ (19,317)</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
	Internal Service Fund (Revolving Drain Equipment)
<u>Total</u>	
 \$ 286,879	 \$ 2,797
334,949	889
(247,533)	-
111,994	-
-0-	74
(7,979)	-
18,736	-
16,879	-
(57,165)	-
1,195	-
<u>(3,271)</u>	<u>-</u>
 <u>\$ 454,684</u>	 <u>\$ 3,760</u>

Branch County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Agency Funds	Pension Fund
ASSETS		
Cash	\$ 1,267,183	\$ -
Investments	-	31,215,691
TOTAL ASSETS	<u>\$ 1,267,183</u>	<u>\$ 31,215,691</u>
LIABILITIES		
Undistributed collections payable	\$ 1,030,645	\$ -
Defendant bonds payable	148,214	-
Due to other governmental units		
Federal/State	34,902	-
Local	15,673	-
Due to individuals and agencies	37,749	-
TOTAL LIABILITIES	<u>\$ 1,267,183</u>	<u>-0-</u>
NET ASSETS		
Held in trust for pension benefits		31,215,691
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 31,215,691</u>

See accompanying notes to financial statements.

Branch County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2005

	Pension Fund
ADDITIONS	
Investment income	
Interest and dividends	\$ 2,050,668
Net increase in fair value of investments	<u>158,347</u>
Net investment income	2,209,015
Contributions	
Employer	439,678
Employee	<u>895,402</u>
Total additions	3,544,095
DEDUCTIONS	
Benefit payments	1,384,524
Administrative expenses	<u>86,316</u>
Total deductions	<u>1,470,840</u>
CHANGE IN NET ASSETS	2,073,255
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>29,142,436</u>
End of year	<u><u>\$ 31,215,691</u></u>

See accompanying notes to financial statements.

Branch County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Road Commission	Branch-Hillsdale- St. Joseph Community Health Agency	Community Health Center
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 217,068	\$ 938,633	\$ 6,058,491
Investments	-	-	2,940,893
Investments - restricted	-	-	5,388,278
Receivables	18,714	45,607	6,746,169
Due from other governmental units	876,512	173,413	-
Inventories	470,779	119,247	1,570,913
Other current assets	-	220,490	1,149,477
Total current assets	1,583,073	1,497,390	23,854,221
Noncurrent assets			
Investments - restricted	-	-	1,553,513
Capital assets not being depreciated	3,247,870	-	2,077,691
Capital assets, net of accumulated depreciation	24,416,610	15,573	17,731,260
Other noncurrent assets	-	-	510,521
Total noncurrent assets	27,664,480	15,573	21,872,985
<b>TOTAL ASSETS</b>	<b>29,247,553</b>	<b>1,512,963</b>	<b>45,727,206</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	171,652	171,922	1,795,398
Accrued payroll	-	106,657	-
Other accrued liabilities	58,604	13,070	3,468,423
Short-term debt	311,100	-	-
Due to other governmental units	-	-	-
Deferred revenue	-	169,001	-
Current portion of compensated absences	-	151,254	-
Current portion of long-term debt	215,992	-	382,251
Total current liabilities	757,348	611,904	5,646,072
Noncurrent liabilities			
Advance from other governmental units	-	-	-
Noncurrent portion of compensated absences	-	42,661	-
Noncurrent portion of long-term debt	388,151	-	4,755,275
Total noncurrent liabilities	388,151	42,661	4,755,275
<b>TOTAL LIABILITIES</b>	<b>1,145,499</b>	<b>654,565</b>	<b>10,401,347</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	27,384,238	15,573	13,627,675
Restricted for:			
Specific purposes	-	-	2,741,660
Debt service	-	-	-
Unrestricted	717,816	842,825	18,956,524
<b>TOTAL NET ASSETS</b>	<b>\$ 28,102,054</b>	<b>\$ 858,398</b>	<b>\$ 35,325,859</b>

See accompanying notes to financial statements.

Drainage Districts	Board of Public Works	Total Component Units
\$ 581,471	\$ 899,001	\$ 8,694,664
-	43,898	2,984,791
-	-	5,388,278
583,440	6,083,286	13,477,216
4,138	-	1,054,063
21,740	-	2,182,679
-	-	1,369,967
1,190,789	7,026,185	35,151,658
-	-	1,553,513
-	1,096,843	6,422,404
1,592,175	11,829,627	55,585,245
-	-	510,521
1,592,175	12,926,470	64,071,683
2,782,964	19,952,655	99,223,341
16,703	6,990	2,162,665
-	1,981	108,638
19,617	29,154	3,588,868
11,000	-	322,100
109,000	-	109,000
-	-	169,001
-	-	151,254
129,750	265,000	992,993
286,070	303,125	7,604,519
-	35,000	35,000
-	-	42,661
112,990	4,489,717	9,746,133
112,990	4,524,717	9,823,794
399,060	4,827,842	17,428,313
1,338,435	12,926,470	55,292,391
-	-	2,741,660
328,861	476,042	804,903
716,608	1,722,301	22,956,074
<u>\$ 2,383,904</u>	<u>\$ 15,124,813</u>	<u>\$ 81,795,028</u>

Branch County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Road Commission	\$ 7,137,013	\$ 2,425,414	\$ 4,278,265	\$ 176,133	\$ (257,201)	\$ -	\$ (257,201)
Branch-Hillsdale-St. Joseph Community Health Agency	6,493,322	886,713	4,704,444	-	(902,165)	-	(902,165)
Drainage Districts	605,036	-	-	618,832	13,796	-	13,796
Board of Public Works	172,197	-	-	31,890	(140,307)	-	(140,307)
Total governmental activities	14,407,568	3,312,127	8,982,709	826,855	(1,285,877)	-0-	(1,285,877)
Business-type activities:							
Community Health Center	55,766,217	56,002,365	142,735	-	-	378,883	378,883
Board of Public Works	880,218	568,185	-	-	-	(312,033)	(312,033)
Total business-type activities	56,646,435	56,570,550	142,735	-0-	-0-	66,850	66,850
Total component units	<u>\$ 71,054,003</u>	<u>\$ 59,882,677</u>	<u>\$ 9,125,444</u>	<u>\$ 826,855</u>	<u>(1,285,877)</u>	<u>66,850</u>	<u>(1,219,027)</u>
General revenues:							
Investment earnings					54,446	450,138	504,584
County appropriations					947,187	-	947,187
Cigarette tax					60,706	-	60,706
Miscellaneous					1,575	392,059	393,634
Total general revenues					1,063,914	842,197	1,906,111
CHANGE IN NET ASSETS					(221,963)	909,047	687,084
Restated net assets, beginning of year					33,224,216	47,883,728	81,107,944
Net assets, end of year					<u>\$ 33,002,253</u>	<u>\$ 48,792,775</u>	<u>\$ 81,795,028</u>

See accompanying notes to financial statements.

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Branch, Michigan was incorporated in 1829, and covers an area of approximately 528 square miles with the County seat located in the City of Coldwater. The County operates under an elected Board of Commissioners and provides services to its more than 41,500 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing* No. 5, these financial statements present the financial activities of Branch County (primary government) and its component units. The component units described in Sections 2, 3, and 4 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Branch County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Branch County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Branch County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Branch County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Branch County Road Commission maintains local, state, and federal trunklines within Branch County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are appointed by the Branch County Board of Commissioners. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and the financial statements of the Branch County Road Commission may be obtained from the administrative office of the Road Commission located at 23 E. Garfield, Coldwater, MI 49036, or from the Branch County Clerk's Office located within the County Government Complex.



NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Discretely Presented Component Units - continued**

The Branch County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Branch County Drainage Districts come under the jurisdiction of the Branch County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The Community Health Center (Hospital) was established by the County Board of Commissioners pursuant to provisions of Public Act 230, 1987. The corporation is managed by a nine (9) member Board of Trustees appointed by the County Board of Commissioners. Trustees can be removed by a majority vote of the County Board of Commissioners. The Board of Trustees may not sell, transfer, mortgage, or encumber any real estate without approval by the County Board of Commissioners. County Board of Commissioner approval is required for single capital expenditures in excess of \$500,000; incurrence of long-term indebtedness or refinancing of short-term indebtedness; sale, lease, transfer, exchange or other disposition of non-real estate assets in excess of \$1,000,000; and contracts with a hospital management corporation and others. The Hospital provides a short-term acute-care facility offering in-patient and outpatient health care services primarily to citizens of Branch County. This Component Unit is audited individually and complete financial statements of the Hospital may be obtained from the administrative office of the Hospital located at 274 E. Chicago Street, Coldwater, MI 49036, or from the Branch County Clerk's Office located within the County Government Complex.

The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine (9) person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt without the County's approval and administers a significant amount of Federal economic development grant money which is received by the County.

The Economic Development Corporation had no financial activity for the year ended December 31, 2005, and had no assets or liabilities as of December 31, 2005. Accordingly, this report contains no financial statements of the Economic Development Corporation.

The Economic Development Fund, reported in the special revenue fund type, records transactions related to a loan of Federal funds to a local business, not financial transactions of the EDC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**4. Joint Venture**

The Branch-Hillsdale-St. Joseph Community Health Agency is a joint venture between Branch, Hillsdale, and St. Joseph Counties, and was established to provide public health services. The Community Health Agency Board has representation and provides services to Branch, Hillsdale, and St. Joseph Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Branch, Hillsdale, and St. Joseph Counties to provide 29, 30, and 41 percent, respectively. In addition, the treasury function for the District Health Department rests with the Branch County Treasurer. For this reason, the Community Health Agency is discretely presented in the Branch County financial statements. This component unit is audited individually and financial statements are issued under separate cover. The Branch-Hillsdale-St. Joseph Community Health Agency activities are reported on a fiscal year-end of September 30, 2005.

The financial statements of the Community Health Agency maybe obtained from the administrative office of the Agency located at 570 N. Marshall Road, Coldwater, Michigan 49036.

**5. Related Organizations**

Branch County in conjunction with the City of Coldwater entered into an agreement to create the Branch District Library. The District is a legally separate organization established to provide library services to residents of Branch County. On August 1991, voters approved a special mileage to fund the District Library.

The District consists of the entire geographic area of Branch County. It is governed by a seven (7) member Board; two (2) appointed by the City and five (5) appointed by the County. The County's accountability does not extend beyond this representation and making these appointments. The Board is empowered to propose and levy upon approval of the electors a tax for support of the District Library. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988. The District Library indemnifies and holds harmless the participating municipalities from all claims and liabilities. The County does levy a tax for the District; however, the County does not hold title to any of the District's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the District.

Branch County, in conjunction with four (4) other Counties, has entered into an agreement that created the Region Eight Substance Abuse Agency. This organization's Board is composed solely of the Kalamazoo County Board of Commissioners who handles all oversight functions of the Agency. The County's financial responsibility is to pass through 50% of the Convention and Tourism revenues received to the Commission. For the year ended December 31, 2005, the County passed through \$59,318.

The Branch Area Transit Authority (BATA) was established as a legally separate organization pursuant to Public Act 196 of 1986. The incorporating subdivisions include the City of Coldwater, Villages of Quincy, Sherwood and Union City, and Branch County.

The Authority is governed by an eight (8) person Board of Directors, three (3) selected by Branch County, two (2) by the City of Coldwater, and one (1) each by each of the Villages within the County. The County's accountability does not extend beyond this representation and making these appointments. The Board maintains its own accounting system; may employ a manager or executive director; adopt rules, regulations, and policies governing employees, property, and facilities; prepares an annual financial report; and adopts by-laws, policies, and procedures deemed necessary for conduct of business. The Authority is financed through grants from Federal and State government, fees from riders, contract users, contributions from governmental entities and other. The Authority currently receives a voter approved tax levy. The County does levy a tax for the Authority; however, the county does not hold title to any of the Authority's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the Authority.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**6. Jointly Governed Organizations**

Branch County, in conjunction with five (5) other Counties, has entered into an agreement that created the Southcentral Michigan Planning Commission. This organization's Board is composed of 12 members, of which one (1) is appointed by Branch County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended December 31, 2005, the County's contribution to the Commission was \$0.

Branch County, in conjunction with two (2) other Counties, has entered into a Joint Workforce Development Agreement for purposes of detailing and designating functions and responsibilities related to administration of job training and workforce development programs. Another agreement was also entered into to establish the Chief Elected Officials Board (CEOB), for which Branch County appoints two (2) of the seven (7) members, and also the Workforce Development Board (WDB), who are appointed by the CEOB.

These agreements also designate the Calhoun County Intermediate School District as "grant recipient" and "administrative entity" for operation of these programs. The District receives all related funding from State and Federal grants and, as a result, the County has no financial responsibility. The District is also fully responsible and indemnifies the County from potential liability for disallowed costs.

**7. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established in 2004 to account for the shift of State Revenue Sharing dollars from State to local funding.

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. The Commission on Aging Fund accounts for the money used for planning and coordinating services for senior citizens.
- d. The Emergency Services Fund is used to account for expenditures incurred related to emergency services that are financed primarily through property taxes, state and federal grants, and user charges.
- e. The Jail Millage Fund is used to account for financial resources generated through a tax levy for jail operations.
- f. The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- g. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

8. Measurement Focus

The government-wide, proprietary, and the pension fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency fiduciary funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets, and investment trust funds with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty.

11. Investments

Investments are reported at cost, which approximates fair value, except for the Pension securities, which are reported at fair value. Investments consist of Pension Fund securities, certificates of deposit, municipal bonds, commercial paper, and U.S. Government Securities with an original maturity of over 90 days.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

13. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Plat Books (Special Revenue) Fund consist of plat books, Revolving Drain Equipment (Internal Service) Fund consist of materials and drain tiles, and Regular Drain (Component Unit Capital Project) Fund consists of materials and culvert. These items are valued at cost on a first-in/first-out basis.

Inventory in the Road Commission (component unit) consists of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of fair value.

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**14. Restricted Assets**

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated funds required to be used for capital acquisitions by action of the Department of Human Services Board, and patient trust deposits. The Community Health Center (component unit) holds restricted investments that were restricted by the donor for specific purposes.

**15. Capital Assets**

**PRIMARY GOVERNMENT AND COMPONENT UNITS - DRAINAGE DISTRICTS AND BOARD OF PUBLIC WORKS**

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5 - 50 years
Equipment and furniture	3 - 20 years
Vehicles	3 - 5 years
Drain infrastructure	40 years
Sewer systems	40 - 50 years

**ROAD COMMISSION - COMPONENT UNIT**

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Branch County Road Commission as assets with an initial individual cost of more than \$1,000 and with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	40 years
Equipment	5 - 10 years
Infrastructure	8 - 50 years

BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY - COMPONENT UNIT

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	7 years
Equipment	4 - 10 years

The Agency has no assets that would be classified as infrastructure assets.

COMMUNITY HEALTH CENTER - COMPONENT UNIT

Property and equipment are recorded at cost. Donations of property and equipment are recorded at fair market value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Land and improvements	3 - 25 years
Buildings and improvements	10 - 40 years
Furniture, fixtures, and equipment	6 - 20 years

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.



NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

17. Advances to other governmental units

Long-term advances from the primary government to component units are made to finance new activities during their initial operations and to finance capital acquisitions. The applicable fund balance is reserved in the fund financial statements for such advances to reflect the amount of fund balance not currently available for expenditure.

18. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2005, including related payroll taxes, is recorded in the government-wide financial statements.

19. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

20. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

21. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The County employs the following procedures in establishing budgets:

- a. Prior to August 1, the County Finance Committee prepares and submits their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue fund. Budgetary transfers between funds, amendments to total fund budgets or salary, fringe benefits, contracts, and capital outlay lines and transfers of greater than \$10,000 are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level.
- e. Budgets for certain Capital Projects Funds are made on a project basis spanning more than one year.



NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

21. Budgets and Budgetary Accounting - continued

- f. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- g. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

22. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

23. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes various pooled cash accounts and investments for approximately forty (40) funds. The County's pooled cash and investments consist of a common checking account, money markets, savings, certificates of deposit, commercial paper, banker's acceptances, and investment trust funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds (except for the Delinquent Tax Revolving Funds), Internal Service Fund, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash, cash equivalents, and investments captions on the combined balance sheet and statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

Deposits

As of December 31, 2005, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$( 132,331 )	\$ 229,545
Certificates of deposit	<u>3,241,675</u>	<u>3,526,990</u>
TOTAL PRIMARY GOVERNMENT	3,109,344	3,756,535
COMPONENT UNITS		
Checking and savings	12,971,220	13,349,579
Certificates of deposit	<u>524,634</u>	<u>524,634</u>
TOTAL COMPONENT UNITS	13,495,854	13,874,213
FIDUCIARY FUNDS		
Checking	<u>1,267,183</u>	<u>1,288,676</u>
TOTAL REPORTING ENTITY	<u>\$17,872,381</u>	<u>\$18,919,424</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2005, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$3,346,087 and the amount of \$15,573,337 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

As of December 31, 2005, the market values, which are the carrying values for each investment, are as follows:

Investments

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Standard &amp; Poor's Rating</u>	<u>Weighted Average Maturity</u>
<b>PRIMARY GOVERNMENT</b>				
Federal Home Loan Bank	\$ 2,850,021	\$ 3,047,337	AAA	661 days
Federal National Mortgage Association	100,000	96,216	AAA	642 days
Federal Home Loan Mortgage Corporation	100,000	96,814	AAA	1,809 days
Federal Farm Credit Banks	100,000	99,281	AAA	397 days
MBIA - MI Class	203,213	203,910	Not Rated	120 days
Municipal bonds	2,574,000	2,569,942	SP-1+	581 days
Uncategorized pooled investment funds	<u>3,826,544</u>	<u>3,594,604</u>	Not Rated	12 days
Total primary government	9,753,778	9,708,104		
<b>COMPONENT UNITS</b>				
Federal Home Loan Bank	6,745	6,605	AAA	661 days
U.S. Treasury obligations	1,986,056	1,986,056	AAA	1-5 years
U.S. agencies obligations	2,046,306	2,046,306	AAA	less than 1 year
Uncategorized pooled investment funds	<u>994,768</u>	<u>994,768</u>	Not rated	1-5 years
Total component units	<u>5,033,875</u>	<u>5,033,875</u>		
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$14,787,653</u></b>	<b><u>\$14,741,979</u></b>		

The investments in commercial paper are insured or registered, with securities held by National City, Fifth Third, Huntington Capital Corporation, Multi-Bank Securities, McDonald Investment, Inc., UBS Financial Services, and Smith-Barney-Division of Citigroup. The maximum insurance for investments with Smith-Barney-Division of Citigroup is provided by the Securities Investor Protection Act \$500,000; UBS Financial Services \$1,000,000; and Securities Investor Protection Corporation \$500,000. The maximum insurance for investments with NatCity Investments, Inc. is provided by the Securities Investor Protection Corporation \$500,000; and First Clearing - Safekeeping in the amount of \$99,500,000. The investments in GNMA's are not insured but are backed by the full faith and credit of the Federal Government. Investments in Municipal Securities other than GNMA are sponsored by agencies of the Federal Government, but are not insured or backed by the full faith and credit of the Federal Government. The maximum insurance for investments with Fifth Third is provided by Fifth Third Investment Services, Inc. in the amount of \$99,500,000; and the Securities Investor Protection Corporation \$500,000. Huntington Capital Corporation, Bearsterns Securities Corporation, and McDonald Investments, Inc. are also protected by the Securities Investor Protection Corporation in the amount of \$500,000.

The County has investments purchased for the County employee's Pension Trust Fund through John Hancock Insurance Company, and with one (1) bank and three (3) stockbrokerage companies for the other various investment types. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2005, the market value, which is the carrying amount of the pension trust plans assets, is \$31,215,691. The pension trust fund assets include uninsured and unregistered investments for which the securities are held, by the insurance carrier's trust departments but not in the County's name.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2005, rating information on the County's investments is presented above.

Interest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet and statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2005:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 3,952,116	\$ 8,694,664	\$ 1,267,183	\$13,913,963
Cash and cash equivalents - restricted	1,961,575	-	-	1,961,575
Investments	6,252,059	2,984,791	31,215,691	40,452,541
Investments - restricted	<u>703,449</u>	<u>6,941,791</u>	<u>-</u>	<u>7,645,240</u>
	<u>\$12,869,199</u>	<u>\$18,621,246</u>	<u>\$32,482,874</u>	<u>\$63,973,319</u>

The primary government and component unit cash and cash equivalents captions in the basic financial statements include \$6,077 and \$853 in imprest cash, respectively. The Branch-Hillsdale-St. Joseph Community Health Agency portion of pooled cash and cash equivalents presented above are as of December 31, 2005. However, the financial statements of the Branch-Hillsdale-St. Joseph Community Health Agency have been presented as of September 30, 2005, which results in a timing difference of \$90,664 for the component units.

**NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT**

The County utilizes pooled cash accounts for various funds. Cash overdrafts of individual funds as of December 31, 2005, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$( 2,580,256 )	\$ 404,055	\$( 2,176,201 )

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT - CONTINUED**

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT - CONTINUED			
Special Revenue Funds			
Marriage Counseling	\$( 1,885 )	\$ -	\$( 1,885 )
Friend of the Court	( 122,589 )	-	( 122,589 )
Plat Books	( 5,507 )	-	( 5,507 )
Juvenile Day Care Program	( 17,740 )	-	( 17,740 )
Child Care - DHS	( 37,274 )	-	( 37,274 )
Total reporting entity	<u>\$(2,765,251 )</u>	<u>\$ 404,055</u>	<u>\$(2,361,196 )</u>

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables related to the primary government at December 31, 2005:

Due to Commission on Aging Fund from:	
Nonmajor governmental funds	<u>\$ 5,199</u>
Due to component unit funds from:	
Other component unit funds	<u>\$ 215,365</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE E: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable related to the primary government at December 31, 2005:

Advance to internal service fund:	
General Fund	<u>\$ 10,000</u>

The advance to the internal service fund was to finance major vehicle repairs.

**NOTE F: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfer to General Fund from:	
Revenue Sharing Reserve Fund	\$ 779,515
Jail Millage Fund	475,000
Nonmajor governmental funds	40,416
Delinquent Tax Revolving Fund	<u>680,027</u>
	<u>\$ 1,974,958</u>

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE F: INTERFUND TRANSFERS - CONTINUED**

Transfer to Commission on Aging Fund from:	
Nonmajor governmental funds	<u>\$ 87,105</u>
Transfer to Emergency Services Fund from:	
General Fund	\$ 25,741
Nonmajor governmental funds	<u>3,065</u>
	<u>\$ 28,806</u>
Transfer to nonmajor governmental funds from:	
General Fund	\$ 1,277,717
Nonmajor governmental funds	<u>113,160</u>
	<u>\$ 1,390,877</u>

**NOTE G: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

**Primary Government**

	Restated Balance Jan. 1, 2005	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2005
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,050,627	\$ -	\$ -	\$ 1,050,627
Capital assets being depreciated:				
Land improvements	2,159,730	1,077,195	-	3,236,925
Buildings and additions	20,000,596	12,052	( 12,494 )	20,000,154
Equipment and furniture	5,719,391	97,215	( 12,894 )	5,803,712
Vehicles	<u>872,718</u>	<u>240,395</u>	<u>( 188,859 )</u>	<u>924,254</u>
Subtotal	28,752,435	1,426,857	( 214,247 )	29,965,045
Less accumulated depreciation for:				
Land improvements	( 328,575 )	( 151,850 )	-	( 480,425 )
Buildings and additions	( 6,967,212 )	( 575,764 )	12,494	( 7,530,482 )
Equipment and furniture	( 1,771,750 )	( 460,148 )	4,031	( 2,227,867 )
Vehicles	<u>( 511,960 )</u>	<u>( 106,086 )</u>	<u>146,080</u>	<u>( 471,966 )</u>
Subtotal	<u>( 9,579,497 )</u>	<u>( 1,293,848 )</u>	<u>162,605</u>	<u>( 10,710,740 )</u>
Net capital assets being depreciated	<u>19,172,938</u>	<u>133,009</u>	<u>( 51,642 )</u>	<u>19,254,305</u>
Capital assets, net	<u>\$ 20,223,565</u>	<u>\$ 133,009</u>	<u>\$ ( 51,642 )</u>	<u>\$ 20,304,932</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

Depreciation expense was charged to the following governmental activities:

General government	\$	406,631
Public safety		325,934
Public works		220,941
Health and welfare		197,432
Community and economic development		97,697
Recreation and cultural		<u>45,213</u>
Total depreciation expense	\$	<u>1,293,848</u>

	Balance Jan. 1, 2005	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2005
<b>Business-type activities</b>				
Land and improvements	\$ 593,776	\$ 6,475	\$ -	\$ 600,251
Buildings	7,359,160	57,784	-	7,416,944
Equipment	<u>1,248,643</u>	<u>19,898</u>	<u>-</u>	<u>1,268,541</u>
Totals at historical cost	9,201,579	84,157	-0-	9,285,736
Less accumulated depreciation for:				
Land and improvements	( 347,849 )	( 25,025 )	-	( 372,874 )
Buildings	( 3,562,576 )	( 259,995 )	-	( 3,822,571 )
Equipment	<u>( 869,908 )</u>	<u>( 49,929 )</u>	<u>-</u>	<u>( 919,837 )</u>
Total accumulated depreciation	<u>( 4,780,333 )</u>	<u>( 334,949 )</u>	<u>-0-</u>	<u>( 5,115,282 )</u>
Capital assets, net	<u>\$ 4,421,246</u>	<u>\$ ( 250,792 )</u>	<u>\$ -0-</u>	<u>\$ 4,170,454</u>

**Component Units**

	Restated Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Component Unit - Drainage Districts				
Governmental Activities				
Drains	\$ 3,534,665	\$ 72,820	\$ -	\$ 3,607,485
Less accumulated depreciation for:				
Drains	<u>( 1,858,471 )</u>	<u>( 156,839 )</u>	<u>-</u>	<u>( 2,015,310 )</u>
Capital assets, net	<u>\$ 1,676,194</u>	<u>\$ ( 84,019 )</u>	<u>\$ -0-</u>	<u>\$ 1,592,175</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Component Units - continued**

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
<b>Component Unit - Board of Public Works</b>				
Capital assets not being depreciated				
Land	\$ 1,096,843	\$ -	\$ -	\$ 1,096,843
Capital assets being depreciated				
Buildings	3,832,141	-	-	3,832,141
Equipment	706,069	-	-	706,069
Vehicles	20,684	-	-	20,684
Sewer	<u>10,937,341</u>	<u>-</u>	<u>-</u>	<u>10,937,341</u>
Subtotal	15,496,235	-0-	-0-	15,496,235
Less accumulated depreciation for:				
Buildings	( 760,851 )	( 82,252 )	-	( 843,103 )
Equipment	( 452,146 )	( 21,618 )	-	( 473,764 )
Vehicles	( 20,462 )	( 222 )	-	( 20,684 )
Sewer	<u>( 2,105,892 )</u>	<u>( 223,165 )</u>	<u>-</u>	<u>( 2,329,057 )</u>
Subtotal	<u>( 3,339,351 )</u>	<u>( 327,257 )</u>	<u>-0-</u>	<u>( 3,666,608 )</u>
Net capital assets being depreciated	<u>12,156,884</u>	<u>( 327,257 )</u>	<u>-0-</u>	<u>11,829,627</u>
Capital assets, net	<u>\$ 13,253,727</u>	<u>\$( 327,257 )</u>	<u>\$ -0-</u>	<u>\$ 12,926,470</u>
<b>Component Unit - Road Commission</b>				
Capital assets not being depreciated				
Land and improvements	\$ 46,464	\$ 3,516	\$ -	\$ 49,980
Land Improvements - infrastructure	<u>3,048,977</u>	<u>148,913</u>	<u>-</u>	<u>3,197,890</u>
	3,095,441	152,429	-0-	3,247,870
Capital assets being depreciated				
Depletable assets	626,798	-	-	626,798
Buildings	1,240,658	16,050	-	1,256,708
Equipment				
Road	6,436,682	549,629	( 418,898 )	6,567,413
Shop	229,660	-	-	229,660
Office	88,942	7,775	-	96,717
Engineers	12,555	2,568	( 2,568 )	12,555
Yard and Storage	819,800	-	-	819,800
Infrastructure	<u>45,145,235</u>	<u>1,864,688</u>	<u>( 123,461 )</u>	<u>46,886,462</u>
	54,600,330	2,440,710	( 544,927 )	56,496,113



Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Component Units - continued**

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Component Unit - Road Commission - continued				
Accumulated depreciation and depletion				
Depletable assets	\$( 534,558 )	\$ -	\$ -	\$( 534,558 )
Buildings	( 843,550 )	( 38,832 )	-	( 882,382 )
Equipment				
Road	( 5,131,998 )	( 531,200 )	389,321	( 5,273,877 )
Shop	( 196,528 )	( 9,380 )	-	( 205,908 )
Office	( 63,130 )	( 9,487 )	-	( 72,617 )
Engineers	( 4,562 )	( 1,416 )	107	( 5,871 )
Yard and Storage	( 528,905 )	( 46,945 )	-	( 575,850 )
Infrastructure	( 22,636,180 )	( 1,929,850 )	37,590	( 24,528,440 )
	( 29,939,411 )	( 2,567,110 )	427,018	( 32,079,503 )
Capital assets being depreciated, net	<u>24,660,919</u>	<u>( 126,400 )</u>	<u>( 117,909 )</u>	<u>24,416,610</u>
Total capital assets, net	<u>\$ 27,756,360</u>	<u>\$ 26,029</u>	<u>\$( 117,909 )</u>	<u>\$ 27,664,480</u>
Component Unit - Community Health Center				
Land and improvements	\$ 2,386,026	\$ 58,162	\$ -	\$ 2,444,188
Buildings and improvements	28,158,386	229,005	( 2,500 )	28,384,891
Furniture, fixtures, and equipment	26,290,769	575,771	( 304,450 )	26,562,090
Construction in progress	<u>32,556</u>	<u>675,882</u>	<u>-</u>	<u>708,438</u>
Totals at historical cost	56,867,737	1,538,820	( 306,950 )	58,099,607
Less accumulated depreciation	<u>( 35,805,348 )</u>	<u>( 2,788,577 )</u>	<u>303,269</u>	<u>( 38,290,656 )</u>
Capital assets, net	<u>\$ 21,062,389</u>	<u>\$( 1,249,757 )</u>	<u>\$( 3,681 )</u>	<u>\$ 19,808,951</u>
Component Unit - Branch-Hillsdale-St. Joseph Community Health Agency				
Equipment	\$ 135,142	\$ -	\$ -	\$ 135,142
Land Improvements	<u>22,723</u>	<u>-</u>	<u>-</u>	<u>22,723</u>
Totals at historical cost	157,865	-0-	-0-	157,865
Less accumulated depreciation for:				
Equipment	( 125,406 )	( 3,718 )	-	( 129,124 )
Land Improvements	<u>( 12,107 )</u>	<u>( 1,061 )</u>	<u>-</u>	<u>( 13,168 )</u>
Total accumulated depreciation	<u>( 137,513 )</u>	<u>( 4,779 )</u>	<u>-0-</u>	<u>( 142,292 )</u>
Capital assets, net	<u>\$ 20,352</u>	<u>\$( 4,779 )</u>	<u>\$ -0-</u>	<u>\$ 15,373</u>

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE H: SHORT-TERM DEBT - COMPONENT UNITS**

The short-term debt of the County consists of various drain notes issued for purposes of financing costs in connection with various drainage district construction and maintenance projects.

The drain notes are reported in the Drainage Districts Component Unit Drain Construction (Capital Projects) Fund and are detailed as follows:

<u>Drain Note Number</u>	<u>Balance Dec. 31, 2005</u>
#05-29	\$ 2,500
#05-31	4,500
#05-35	<u>4,000</u>
	<u>\$ 11,000</u>

**NOTE I: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended December 31, 2005:

	<u>Balance Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2005</u>	<u>Amounts Due Within One Year</u>
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Direct County Obligations	\$10,690,000	\$ -	\$ 690,000	\$10,000,000	\$ 735,000
Capital leases	14,684	141,861	53,837	102,708	50,136
Installment loan	149,499	-	149,499	-0-	-
Compensated absences	<u>635,160</u>	<u>29,937</u>	<u>-</u>	<u>665,097</u>	<u>66,510</u>
	11,489,343	171,798	893,336	10,767,805	851,646
Business-type Activities					
Enterprise Fund					
Medical Care Facility					
Compensated absences	<u>439,146</u>	<u>-</u>	<u>47,233</u>	<u>391,913</u>	<u>212,477</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>11,928,489</b>	<b>171,798</b>	<b>940,569</b>	<b>11,159,718</b>	<b>1,064,123</b>
<b>COMPONENT UNIT FUNDS</b>					
Board of Public Works					
Sanitary sewer bonds	5,100,000	-	205,000	4,895,000	265,000
Drainage Districts					
Drain Notes	246,070	99,500	102,830	242,740	129,750
Community Health Center					
Hospital Bonds	3,490,000	1,900,000	252,474	5,137,526	382,251
Road Commission					
Installment lease purchase agreements	454,702	-	174,460	280,242	180,992
Compensated absences	353,224	-	29,323	323,901	35,000
Branch-Hillsdale-St. Joseph					
Community Health Agency					
Compensated absences	<u>187,242</u>	<u>6,673</u>	<u>-</u>	<u>193,915</u>	<u>151,254</u>
	9,831,238	2,006,173	764,087	11,073,324	1,144,247

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE I: LONG-TERM DEBT - CONTINUED**

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005	Amounts Due Within One Year
COMPONENT UNIT FUNDS - CONT.					
Less deferred amounts:					
On refunding	\$ 149,051	\$ -	\$ 8,768	\$ 140,283	\$ 8,768
TOTAL COMPONENT UNITS	9,682,187	2,006,173	755,319	10,933,041	1,135,479
TOTAL REPORTING ENTITY	\$21,610,676	\$ 2,177,971	\$ 1,595,888	\$22,092,759	\$ 2,199,602

PRIMARY GOVERNMENT

Direct County Obligations - County Building Authority Bonds

The Branch County Board of Commissioners is party to long-term lease agreements for rental of the Hospital, Medical Care Facility, Courthouse, and FIA buildings from the Branch County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2005 are as follows:

\$2,550,000 Branch County Building Authority Bonds (FIA Project) - Series 1998A, dated April 1, 1998, due in annual installments ranging from \$100,000 to \$200,000 through September 1, 2018, with interest ranging from 4.600 to 4.625 percent, payable semi-annually.	\$ 1,950,000
\$2,000,000 Branch County Building Authority Bonds (Human Services) - Series 1999, dated December 1, 1999, due in annual installments of \$100,000 through September 1, 2007, with interest of 5.30 percent, payable semi-annually.	200,000
\$4,000,000 Branch County Building Authority Bonds (Hospital) - Series 2001, dated March 1, 2001, due in annual installments ranging from \$230,000 to \$380,000 through September 1, 2016, with interest ranging from 4.375 to 4.5 percent, payable semi-annually.	3,270,000
\$995,000 Branch County Building Authority Bonds (Commission on Aging) - Series 2001 A, dated June 1, 2001, due in annual installments ranging from \$40,000 to \$75,000 through September 1, 2021, with interest ranging from 4.00 to 5.25 percent, payable semi-annually.	870,000
\$2,750,000 Branch County Building Authority Refunding Bonds - Series 2002, dated April 1, 2002, due in annual installments ranging from \$105,000 to \$320,000 through September 1, 2017, with interest ranging from 3.70 to 4.75 percent, payable semi-annually.	2,140,000
\$1,750,000 Branch County Building Authority Bonds (Courthouse) - Series 2002, dated August 1, 2002, due in annual installments ranging from \$65,000 to \$135,000 through September 1, 2022, with interest ranging from 3.00 to 4.75 percent, payable semi-annually.	1,570,000
	<u>\$10,000,000</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE I: LONG-TERM DEBT - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

Capital Leases

The County has entered into lease purchase agreements which qualify as capital leases for accounting purposes (title transfers to County) and therefore have been recorded at the present value of future minimum lease payments as of the date of inception. The following are additional details regarding the leases.

\$20,468 Branch County Parks Department capital lease payable, dated July 29, 2004, due in annual installments of \$5,784 through July 29, 2007 with interest of 8.50 percent, payable annually.	\$ 10,198
\$18,468 Branch County, County Complex Department capital lease payable, dated May 9, 2005, due in annual installments of \$6,477 through May 9, 2007 with interest of 5.30 percent, payable annually.	11,991
\$123,393 Branch County Sheriff Department capital lease payable, dated March 30, 2005, due in annual installments of \$42,874 through March 20, 2007 with interest of 4.30 percent, payable annually.	<u>80,519</u>
	<u>\$ 102,708</u>

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$1,057,010 for vacation and sick, at December 31, 2005. Of this amount, \$391,913 has been accrued as a liability in the Medical Care Facility (Enterprise) Fund Balance Sheet. Of the remaining liability of \$665,097, \$66,510 has been recorded as a current liability and \$598,587 has been recorded as a noncurrent liability.

Advance Refunding - Prior

On April 1, 2002 the County defeased a portion of the 1999 Building Authority Bonds (Human Services) which are due and payable September 1, 2019. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued Building Authority 2002 Refunding Bonds in the amount of \$2,750,000 to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay the remaining balances of the 1990-1 Building Authority Bonds (Mental Health Building) and 1994 Building Authority Bonds (K.C.C. Project). Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At December 31, 2005, bonds due and payable September 1, 2019 for 1999 Building Authority Bonds (Human Services) in the amount of \$1,400,000 are considered defeased.

On April 2, 2001 the County defeased a portion of the 1998A Building Authority Bonds (FIA Project) which are due and payable September 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County used remaining bond proceeds from the 1998A Building Authority Bonds (FIA Project) in the amount of \$201,879 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2005, bonds due and payable September 1, 2018 for the 1998A Building Authority Bonds (FIA Project) in the amount of \$190,000 are considered defeased.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE I: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Sanitary Sewer Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following sanitary sewer system bonds. These projects are administered by the Branch County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2005, for the Sanitary Sewer System construction projects are as follows:

\$5,190,000 Branch County Sanitary Sewer System No. 2 Refunding Bonds (Coldwater and Long Lake Extensions), Series 2004, dated February 1, 2004, due in annual installments ranging from \$205,000 to \$315,000 through May 1, 2022, with interest of 2.50 to 4.75 percent, payable semi-annually.	\$ 4,870,000
\$995,000 Branch County Sanitary Sewer System No. 2 Bonds (Coldwater and Long Lake Extensions), Series B, dated August 1, 1998, due in an annual installment of \$25,000 on May 1, 2006, with interest of 5.10 percent, payable semi-annually.	<u>25,000</u>
	<u>\$ 4,895,000</u>

Advance Refunding - Prior

On November 15, 1999, the County defeased \$610,000 of the outstanding Sanitary Sewer Disposal System No. 2 bonds, dated August 1, 1996, maturing May 1, 2006 through May 1, 2016, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations of \$610,000, and associated semi-annual interest payments. The funds used to fund these escrow amounts were from excess bond proceeds remaining after completion of the related construction project. Accordingly, the trust account assets and liabilities for the defeased portion of the bond issue are not included in the County's financial statements. At December 31, 2005, bonds outstanding of \$610,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain loans and notes. These projects are administered by the Branch County Drain Commission for various local drainage districts. The drain loans and notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Loan and notes payable at December 31, 2005, per respective Drain projects serviced from the Component Unit Funds are as follows:

Various drain notes due in various annual installments and interest rates through 2009.	<u>\$ 242,740</u>
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Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE I: LONG-TERM DEBT - CONTINUED**

**COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY**

Employees of the Branch-Hillsdale-St. Joseph Community Health Agency are granted vacation and personal leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at full current rate of pay to a maximum of 360 hours, and accumulated personal leave at full current rate of pay of hours accumulated up to a maximum of 30 hours.

Accumulated vacation leave and personal pay represent a liability to the Agency, which is presented in a current and long term portion of the liability. For this reason, the total liability is reported in the government-wide financial statements represent a current liability of \$151,254 and noncurrent liability of \$42,661. Payments to employees for vacation leave and personal pay are recorded as expenditures when they are used and payments are actually made to the employees.

**COMPONENT UNIT - COMMUNITY HEALTH CENTER**

Hospital Revenue Bonds, Series 2001, issued through the Branch County Building Authority, bearing interest ranging from 4.375 to 4.50 percent. Annual principal payments range from \$220,000 in 2006 to \$380,000 in 2016. Collateralized by a lease agreement on the building and surrounding land with the Authority and the County of Branch. In turn, the County subleases the building and land to the Hospital under the same terms. The Hospital makes payment directly to the Authority. Hospital Revenue Bonds, Series 2005, issued in the amount of \$1,900,000, bear interest at LIBOR plus 2.25%, and are payable in monthly installments through November 1, 2015. Secured by net revenue and accounts receivable and the assets restricted under the bond indenture agreement. The indenture agreement requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.25 to 1.00, maintaining a ratio of funded debt plus net assets of no more than .50 and maintaining minimum days of cash on hand of 75 days.

\$ 5,137,526

**COMPONENT UNIT - ROAD COMMISSION**

Lease Purchase Agreements

The Road Commission entered into four purchase agreements for certain equipment secured by the related equipment. Payment terms are as follows:

	<u>Annual Payments</u>	<u>Interest Rates</u>	<u>Final Payment</u>
4 trucks, 1 motor grader and asphalt plant refurbishment	\$102,714 - 136,860	3.5 %	5/07
Excavator	53,312	3.8 - 5.25	12/06

Accrued Sick and Vacation

After the first year of employment, employees can earn one week of vacation. Thereafter employees earn one additional day of vacation per year, until a limit of four weeks is reached. Vacation leave may be accumulated up to a maximum of one week over the annual allotment, as of the employee's anniversary date.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE I: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Accrued Sick and Vacation - continued

Sick leave is earned at the rate of 12 days per year; a maximum of 62.5 days may be accumulated.

Excess sick leave earned above 62.5 days is then converted into personal days. Personal days can be accumulated up to a maximum of 12 days and are paid off on the employee's anniversary date.

Vacation, sick, and personal pay is payable in full when employment ceases.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

Year Ending December 31,	Primary Government			
	Direct County Obligations		Capital Leases	
	Principal	Interest	Principal	Interest
2006	\$ 735,000	\$ 442,976	\$ 50,136	\$ 4,999
2007	780,000	412,063	52,572	2,564
2008	805,000	379,068	-	-
2009	825,000	345,630	-	-
2010	695,000	310,282	-	-
2011-2015	3,755,000	1,084,438	-	-
2016-2020	2,070,000	297,821	-	-
2021-2022	335,000	22,638	-	-
	<u>\$ 10,000,000</u>	<u>\$ 3,294,916</u>	<u>\$ 102,708</u>	<u>\$ 7,563</u>

Year Ending December 31,	Component Units							
	Drainage Districts Drain Notes		Board of Public Works Sanitary Sewer Bonds		Road Commission Installment Leases		Community Health Hospital/Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Payment	Interest
2006	\$ 129,750	\$ 11,340	\$ 265,000	\$ 169,738	\$ 180,992	\$ 9,180	\$ 382,251	\$ 222,933
2007	83,000	4,945	235,000	163,800	99,250	3,464	403,176	205,683
2008	20,490	5,106	275,000	157,081	-	-	419,928	187,604
2009	9,500	444	300,000	148,800	-	-	443,054	168,680
2010	-	-	290,000	139,950	-	-	465,826	148,721
2011-2015	-	-	1,525,000	545,756	-	-	2,643,291	415,151
2016-2020	-	-	1,505,000	265,456	-	-	380,000	12,754
2021-2022	-	-	500,000	20,875	-	-	-	-
	<u>\$ 242,740</u>	<u>\$ 21,835</u>	<u>\$ 4,895,000</u>	<u>\$ 1,611,456</u>	<u>\$ 280,242</u>	<u>\$ 12,644</u>	<u>\$ 5,137,526</u>	<u>\$ 1,361,526</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE J: EMPLOYEE RETIREMENT SYSTEM**

**RETIREMENT SYSTEM - COUNTY GENERAL, ROAD COMMISSION, AND COMMUNITY HEALTH CENTER PLAN DESCRIPTION**

Branch County (primary government) and its component units (County Road Commission and the Community Health Center) contribute to the Branch County Pension Plan, which is a defined benefit, cost sharing, multiple employer retirement system covering substantially all of its employees. The plan is administered by Branch County, with investments purchased through John Hancock Insurance Company, one (1) bank and three (3) brokerage companies. To be eligible for the plan, an employee must be a regular full-time employee, have completed six (6) months of service, and make employee contributions. The County's contributions for the years ended December 31, 2005, 2004, and 2003 were based on the payroll for employees covered by the system as of December 31, 2004, 2003, and 2002. The covered payroll for 2004 was \$1,784,433; \$9,052,180; and \$6,269,282 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The covered payroll for 2003 was \$1,719,545; \$8,444,128; and \$6,082,283 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The covered payroll for 2002 was \$1,844,999; \$7,101,503; and \$7,247,607 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The total payroll for 2004 was \$2,054,785; \$23,455,829; and \$11,255,980 for the County Road Commission, Community Health Center, and all other County employee groups. The total payroll for 2003 was \$1,943,676; \$20,190,035; and \$11,343,200 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The total payroll for 2002 was \$1,984,564; \$16,194,109; and \$12,604,413 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The plan provides retirement benefits, as well as death and disability benefits in accordance with benefit provisions as adopted by the Branch County Board of Commissioners. Retirement benefits are based on service and compensation and vested after five (5) years of service. At December 31, 2004, membership consisted of 315 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 470 current active employees.

The obligation to contribute to and maintain the system for covered employees was established in the Branch County Pension Plan, as amended January 1, 1989, and requires a contribution from the employees of three (3) percent of the first \$4,800 of gross wages, plus five (5) percent of the remaining amount. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actual employee contributions for the year ended December 31, 2004 were \$87,807; \$430,785; and \$348,249, these contributions representing 4.9, 4.8, and 5.6 percent of covered payroll for the County Road Commission, Community Health Center, and all other County employee groups, respectively.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (a/b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/02	\$ 28,236,752	\$ 41,604,176	\$( 13,367,424 )	67.87 %	\$ 16,194,109	83 %
12/31/03	31,187,508	44,195,535	( 13,008,027 )	70.57 %	16,245,956	80 %
12/31/04	34,157,573	47,298,233	( 13,140,660 )	72.22 %	17,105,895	77 %

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension (Obligation)/Benefit</u>
2002	\$ 944,726	92 %	\$( 74,958 )
2003	1,119,640	100.6 %	7,464
2004	1,047,053	103.4 %	64,670



NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**RETIREMENT SYSTEM - COUNTY GENERAL, ROAD COMMISSION, AND COMMUNITY HEALTH CENTER  
PLAN DESCRIPTION - CONTINUED**

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate cost method
Amortization method	Level percent, closed
Remaining amortization period	*
Asset valuation method	*
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases attributable to inflation	4.5%
Cost of living adjustments	None

\* Information not provided in actuarial valuation report

NOTE: The Aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

**COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY**

**Plan Description**

The Agency participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Agency. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees of three (3) percent of wages depending on the employee group covered. The Agency is required to contribute the remaining amounts necessary to fund the system.

**Annual Pension Cost**

For the year ended September 30, 2005, the Agency's annual pension cost of \$157,596 for the plan was equal to the Agency's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation and (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period.

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 7,160,660	\$ 7,609,451	\$ 8,162,790
Actuarial accrued liability (AAL) (entry age)	6,810,239	7,328,279	8,234,660
Unfunded (overfunded) AAL	( 350,421 )	( 281,172 )	71,870
Funded ratio	105 %	104 %	99 %
Covered payroll	2,553,708	2,441,083	2,552,172
UAAL as a percentage of covered payroll	0 %	0 %	0 %

	Year Ended September 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 50,275	\$ 125,397	\$ 157,596
Percentage of APC contributed	N/A %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

**NOTE K: CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

A substantial portion of the Medical Care Facility's total patient revenues are for services provided to Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan patients. Payments for these services are based upon allowable costs incurred and are subject to final audit by the intermediaries.

**NOTE L: ROAD COMMISSION FEDERAL GRANTS**

Governmental and certain other entities which expend \$500,000 or more of direct federal dollars are subject to a single audit in accordance with the OMB Circular A-133. The Road Commission expended \$155,929 of federal/state dollars which were passed through and administered by the Michigan Department of Transportation. The passed through monies will be included in the State of Michigan's single audit.

**NOTE M: RISK MANAGEMENT**

PRIMARY GOVERNMENT

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing Branch County with loss protection for general and auto liability, motor vehicle physical damage, and property. Membership of the Authority at December 31, 2005, was comprised of more than 280 units of government.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE M: RISK MANAGEMENT - CONTINUED**

**PRIMARY GOVERNMENT - CONTINUED**

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Branch County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Maximum Retention Type of Risk</u>	<u>Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000
Property coverage	1,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Branch County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$231,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$231,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Branch County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2005, the County had funds on deposit of \$85,299 with the Authority and reserves for reported claims of \$2,619.

The Maple Lawn Medical Facility carries commercial insurance for the risk of loss due to liability claims.

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE M: RISK MANAGEMENT - CONTINUED**

**COMPONENT UNIT - ROAD COMMISSION**

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for property, fleet, umbrella, errors and omissions, and dishonesty bond. The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for workers' compensation insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY**

The Agency carries commercial insurance for the risk of loss due to workers' compensation claims.

The Agency also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Agency has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

**COMPONENT UNIT - COMMUNITY HEALTH CENTER**

The Hospital is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and dental benefits provided to employees. The Hospital has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries. The Hospital is self-insured for medical and dental benefits provided to employees. The Hospital has purchased a stop loss insurance policy to cover individual medical and dental claims in excess of policy limits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Medical and Dental**

The Hospital estimates the liability for medical and dental claims that have been incurred through the end of the fiscal year, including both claims that have been reported, as well as those that have not yet been reported. These estimates are recorded in accrued liabilities. Changes in the estimated liability for the past two years were as follows:

	<u>2005</u>	<u>2004</u>
Estimated liability - beginning of year	\$ 231,603	\$ 278,751
Claims incurred, including changes in estimates	5,895,145	2,023,640
Claim payments	<u>( 5,873,994 )</u>	<u>( 2,070,788 )</u>
Estimated liability - end of year	<u>\$ 252,754</u>	<u>\$ 231,603</u>

**Malpractice**

The Hospital is insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital must pay a deductible towards the costs of litigating or settling any asserted claims. In addition, the Hospital bears the risk of the ultimate costs of any individual claim exceeding the policy limits for claims asserted in the policy year.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE M: RISK MANAGEMENT - CONTINUED**

COMPONENT UNIT - COMMUNITY HEALTH CENTER - CONTINUED

The Hospital is involved in certain legal actions arising from services provided to patients and additionally is aware of certain possible claims occurring prior to participation in the claims-made arrangement. Although the Hospital is unable to precisely estimate the ultimate cost of settlements of professional liability claims, provision is made for management's best estimate of losses for uninsured portions of pending claims. Management believes, after considering legal counsel's evaluations of all actions and claims, that insurance coverage and accruals for estimated losses are adequate to cover expected settlements.

**NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE**

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy will be shifting over the next three years from winter to summer.

The County's Winter 2004 and Summer 2005 ad valorem taxes were levied and collectible on December 1, 2004 and July 1, 2005, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2004 and Summer 2005 tax levies have been recognized as revenue in the current fiscal year.

The 2005 taxable value of Branch County amounted to \$1,110,881,121 on which ad valorem taxes levied consisted of 4.7878 mills for general operations, 0.7383 mills for Commission on Aging, 0.7500 mills for Emergency 911 services, 0.4885 mills for the Jail, and 0.1000 mills for Veteran's relief.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the General Fund; Jail Millage, Emergency Services, Commission on Aging, and Soldiers and Sailors (Special Revenue) Funds. Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

Taxes receivable recorded in the respective funds at December 31, 2005 are as follows:

Taxes Receivable	Special Revenue						Enterprise Delinquent Tax Revolving Fund	Total
	General	Revenue Sharing Reserve	Soldiers & Sailors	Jail Millage	Emergency Services	Commission on Aging		
Current	\$ 2,042,826	\$ 1,712,173	\$ 111,541	\$ 548,304	\$ 837,289	\$ 824,188	\$ -	\$ 6,076,321
Delinquent	-	-	-	-	-	-	1,169,807	1,169,807
	<u>\$ 2,042,826</u>	<u>\$ 1,712,173</u>	<u>\$ 111,541</u>	<u>\$ 548,304</u>	<u>\$ 837,289</u>	<u>\$ 824,188</u>	<u>\$ 1,169,807</u>	<u>\$ 7,246,128</u>

The delinquent portion of the taxes receivable represents unpaid real property taxes in the Delinquent Tax Revolving Fund.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE - CONTINUED**

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 (or September 14 for the summer levy of Villages), and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Fund.

**NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund equity indicates that portion of fund balance or net assets which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of December 31, 2005:

**PRIMARY GOVERNMENT**

## General Fund

## Reserved for

Advances

\$ 154,000

Veterans

260

Remonumentation

16,535

170,795

## Special Revenue Funds

## Plat Book Fund

Reserved for inventories

370

## Mental Health Building Maintenance

Reserved for prepaids

13,500

## Housing Commission

Reserved for grant expenditures

24,980

## Clock Tower Fund

Reserved for clock tower expenditures

6,624**TOTAL PRIMARY GOVERNMENT**

216,269

**COMPONENT UNITS**

## Drainage Districts

## Capital Projects Funds

Regular Drain

Reserved for inventories

21,470

## Debt Service Funds

Regular Drain

Reserved for debt service

318,478

Lake Level

Reserved for debt service

30,000

348,478

Branch County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

COMPONENT UNITS - CONTINUED

Board of Public Works	
Debt Service Funds	
Sewer #2 Refunding	
Reserved for debt service	\$ 315,064
Coldwater/Long Lake Sewer Supplemental	
Reserved for debt service	<u>189,980</u>
	<u>505,044</u>
 TOTAL COMPONENT UNITS	 <u>874,992</u>
 TOTAL REPORTING ENTITY	 <u>\$ 1,091,261</u>

The following are the various net asset reserves at December 31, 2005:

PRIMARY GOVERNMENT

Fiduciary Funds	
Pension Trust Fund	
Reserved for employee retirement	<u>\$31,215,691</u>

The following are the various fund equity designations as of December 31, 2005:

PRIMARY GOVERNMENT

Special Revenue Funds	
Commission on Aging Facility	
Designated for debt service	\$ 200,000
Debt Service Funds	
Building Authority - Hospital	
Designated for debt service	94
Building Authority - Courthouse	
Designated for debt service	<u>258</u>
 TOTAL PRIMARY GOVERNMENT	 200,352

COMPONENT UNITS

Board of Public Works	
Special Revenue Funds	
Water and Sewer	
Designated for capital expenditures	26,495
Capital Projects Funds	
Lake Maintenance	
Designated for capital expenditures	183,448
Enterprise Funds	
Sewer	
Designated for capital expenses	<u>253,272</u>
	463,215

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

## COMPONENT UNITS - CONTINUED

Drainage Districts	
Capital Projects Funds	
Regular Drain	
Designated for capital expenditures	\$ 325,758
Lake Level	
Designated for capital expenditures	74,409
Hodunk/Messger Lake	
Designated for capital expenditures	<u>26,461</u>
	<u>426,628</u>
 TOTAL COMPONENT UNITS	 \$ <u>889,843</u>

**NOTE P: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2005:

## PRIMARY GOVERNMENT

Governmental Activities	
Public Safety	
Jail millage	\$ <u>114,597</u>
Other Purposes	
Tax administration	\$ 117,197
Commission on Aging	192,410
Commission on Aging facility	270,497
Revenue Sharing Reserve	<u>2,331,152</u>
	\$ <u>2,911,256</u>
Business-type Activities	
Medical Care Facility Fund	
Restricted for memorials	\$ <u>26,698</u>

## COMPONENT UNITS

Community Health Center	
Restricted for specific purposes	\$ 2,741,660
Drainage Districts	
Restricted for debt service	328,861
Board of Public Works	
Restricted for debt service	<u>476,042</u>
 TOTAL COMPONENT UNITS	 \$ <u>3,546,563</u>



Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the required supplementary information to the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Fund have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2005, the County incurred expenditures in the General Fund, Commission on Aging Fund, and Jail Millage Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General Government			
Circuit court	\$ 211,268	\$ 211,380	\$ 112
District Court	985,992	987,547	1,555
Probate Court	674,677	675,791	1,114
Computer service	134,551	135,345	794
Clerk	299,707	299,900	193
Prosecuting attorney	562,866	565,242	2,376
Register of deeds	187,595	193,400	5,805
Treasurer	267,726	267,776	50
Building and grounds	548,099	564,593	16,494
General services	139,526	139,728	202
Public Safety			
Sheriff	1,510,489	1,644,012	133,523
Sheriff reserve	5,659	5,736	77
Animal control	146,964	147,600	636
Health and Welfare			
Medical examiner	66,071	69,826	3,755
Substance abuse	56,020	59,318	3,298
Other			
Professional services	97,284	103,930	6,646
Other	14,800	15,432	632
Debt service	-0-	49,351	49,351
Other Financing Uses	1,203,798	1,303,458	99,660
Commission on Aging Fund	835,735	856,986	21,251

**NOTE R: FUND DEFICITS**

The following funds had fund deficits at December 31, 2005:

Marriage Counseling	\$ 2,357
Friend of the Court	14,273
Plat Books	5,125
Juvenile Day Care Program	1,650
Child Care - DHS	<u>30,415</u>
	<u>\$ 53,820</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Branch County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Current and delinquent property taxes	\$ 5,075,728	\$ 4,956,374	\$ 5,147,899	\$ 191,525
Tax reverted lands	-	712	712	-0-
Industrial and commercial facilities tax	70,000	101,696	101,696	-0-
Payments in lieu of taxes	3,000	5,754	5,705	(49)
Mobile home park taxes	4,000	3,372	3,372	-0-
Interest and penalties	300	-	-	-0-
Real estate transfer tax	135,190	173,205	173,205	-0-
Total taxes	5,288,218	5,241,113	5,432,589	191,476
Licenses and permits				
Dog licenses	65,000	92,981	92,969	(12)
Soil erosion permits	10,000	9,185	9,185	-0-
Marriage license fees	1,900	1,900	1,840	(60)
Gun permits	6,200	4,940	4,940	-0-
Transient merchant licenses	50	50	25	(25)
Total licenses and permits	83,150	109,056	108,959	(97)
Intergovernmental - Federal/State				
Cooperative reimbursement - Prosecutor	88,000	48,415	68,341	19,926
Probate Judge's salary	94,195	94,195	101,784	7,589
Judicial salary standardization	137,172	140,248	140,246	(2)
Juvenile Director's salary	28,511	28,511	34,146	5,635
Court equity	313,000	300,000	300,987	987
Traffic safety program	103,624	103,624	103,311	(313)
Marine safety program	25,900	36,175	36,174	(1)
District Court case flow assistance	12,750	14,288	13,940	(348)
State remonumentation	35,000	27,896	63,343	35,447
Convention and tourism tax	112,040	112,040	118,635	6,595
Cigarette tax	32,332	28,621	28,621	-0-
State revenue sharing	697,375	-	-	-0-
Single business tax	82,140	-	-	-0-
Liquor license fees	9,250	9,250	9,149	(101)
State election reimbursement	13,200	26,613	26,611	(2)
Other intergovernmental	-0-	2,859	2,859	-0-
Total intergovernmental - Federal/State	1,784,489	972,735	1,048,147	75,412
Charges for services				
District Court costs	808,000	772,833	772,295	(538)
District Court services	327,900	332,996	332,059	(937)
Circuit Court costs	48,000	46,885	46,803	(82)

## Branch County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services - continued				
Circuit Court services	\$ 27,550	\$ 25,791	\$ 25,480	\$ (311)
Probate Court services	37,000	36,225	35,652	(573)
Prosecuting Attorney services	5,650	8,583	8,532	(51)
County Treasurer services	21,825	27,073	27,070	(3)
County Clerk services	77,700	86,185	84,898	(1,287)
Register of Deeds services	231,210	235,103	234,646	(457)
General services	37,000	87,480	87,478	(2)
Sheriff department services	199,650	213,777	213,848	71
Sheriff department inspection fees	5,200	7,634	7,633	(1)
Care of prisoners	100,000	95,913	97,243	1,330
Animal shelter services	5,000	10,362	10,362	-0-
Equalization services	18,000	18,000	17,727	(273)
Other charges for services	-	500	500	-0-
Total charges for services	1,949,685	2,005,340	2,002,226	(3,114)
Fines and forfeits				
Ordinance fines and costs	110,000	106,520	106,482	(38)
Bond forfeitures	36,900	30,412	30,412	-0-
Total fines and forfeits	146,900	136,932	136,894	(38)
Interest and rents				
Interest on investments	115,500	151,791	151,643	(148)
Rental fees	406,452	393,997	416,785	22,788
Total interest and rents	521,952	545,788	568,428	22,640
Other				
Sale of scrap	4,000	10,577	10,576	(1)
Insurance recoveries and refunds	70,000	92,542	92,541	(1)
Reimbursements and refunds				
General	105,300	68,643	68,638	(5)
Audit	12,500	16,500	16,500	-0-
Maintenance	36,500	37,690	37,645	(45)
Friend of the Court - Indirect costs	133,060	177,258	177,258	-0-
Workers compensation	30,000	67,094	154,394	87,300
Pay phone commissions	60,000	56,611	56,611	-0-
Other	55,250	69,252	69,209	(43)
Total other	506,610	596,167	683,372	87,205
TOTAL REVENUES	10,281,004	9,607,131	9,980,615	373,484

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES				
Lease proceeds	\$ -	\$ -	\$ 141,861	\$ 141,861
Transfers from other funds				
Tax Administration	-	-	10,348	10,348
Sheriff Special Investigation	-	15,035	15,034	(1)
Revenue Sharing Reserve	-	779,515	779,515	-0-
Jail Millage	475,000	475,000	475,000	-0-
Prosecutor Special Investigation	-	15,034	15,034	-0-
Delinquent Tax Revolving	599,630	599,630	680,027	80,397
TOTAL OTHER FINANCING SOURCES	<u>1,074,630</u>	<u>1,884,214</u>	<u>2,116,819</u>	<u>232,605</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 11,355,634</u>	<u>\$ 11,491,345</u>	<u>\$ 12,097,434</u>	<u>\$ 606,089</u>

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	\$ 108,000	\$ 130,799	\$ 128,297	\$ 2,502
Circuit Court	194,028	211,268	211,380	(112)
District Court	998,463	985,992	987,547	(1,555)
Jury Board	4,870	4,878	4,107	771
State prisoner trials	3,750	1,300	1,171	129
Probate Court	678,857	674,677	675,791	(1,114)
County administrator	130,368	144,493	144,379	114
Elections	16,207	33,100	32,940	160
Computer service	144,139	150,340	139,831	10,509
Clerk	307,412	299,707	299,900	(193)
Payroll/accounts payable	107,554	102,490	96,107	6,383
Microfilm	13,831	13,374	13,230	144
Equalization	279,286	276,527	276,130	397
Prosecuting Attorney	559,831	562,866	565,242	(2,376)
Prosecutor - public defender	206,915	231,600	231,600	-0-
Register of Deeds	222,219	187,595	193,400	(5,805)
County survey and remonumentation	35,000	90,088	90,088	-0-
Treasurer	255,794	267,726	267,776	(50)
Cooperative extension	157,554	172,276	172,032	244
Building and grounds	523,326	548,099	564,593	(16,494)
Drain commissioner	117,991	121,261	120,955	306
General services	153,220	139,526	139,728	(202)
Total general government	5,218,615	5,349,982	5,356,224	(6,242)
Public safety				
Sheriff	1,468,244	1,510,489	1,644,012	(133,523)
Sheriff reserve	3,750	5,659	5,736	(77)
Sheriff posse	2,500	4,409	4,039	370
Traffic and safety program	123,598	129,783	128,471	1,312
Marine safety	49,142	45,656	45,208	448
Jail	1,951,753	1,865,726	1,849,554	16,172
Animal control	135,423	146,964	147,600	(636)
Total public safety	3,734,410	3,708,686	3,824,620	(115,934)
Public works				
Department of public works	10,112	10,079	8,410	1,669
Drains	30,120	30,120	30,120	-0-
Roads and Bridges	25,000	25,000	25,000	-0-
Total public works	65,232	65,199	63,530	1,669

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Health and welfare				
Medical examiner	\$ 35,500	\$ 66,071	\$ 69,826	\$ (3,755)
Veterans counselors	44,200	34,875	34,801	74
Substance abuse	56,020	56,020	59,318	(3,298)
Commission on Aging	5,205	5,205	5,205	-0-
Branch-Hillsdale-St. Joseph Community Health Agency	273,609	273,609	273,609	-0-
Pines Behavioral Health Services	180,000	180,000	180,000	-0-
Other	64,323	61,704	56,954	4,750
Total health and welfare	658,857	677,484	679,713	(2,229)
Community and economic development				
Planning commission	7,581	7,286	7,020	266
Recreation and cultural				
Fair/4-H premiums	2,000	2,000	2,000	-0-
Other				
Workers' compensation insurance	143,000	122,858	122,857	1
Insurance	304,638	389,437	389,227	210
Professional services	194,700	97,284	103,930	(6,646)
Other	20,000	14,800	15,432	(632)
Total other	662,338	624,379	631,446	(7,067)
Debt service	-	-	49,351	(49,351)
TOTAL EXPENDITURES	10,349,033	10,435,016	10,613,904	(178,888)

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Transfers to other funds				
DHS	\$ 20,000	\$ 20,000	\$ 20,000	\$ -0-
Building Authority - DHS	186,170	186,170	186,169	1
Child Care - Probate Court	425,252	425,252	425,252	-0-
Child Care - DHS	35,000	35,000	35,000	-0-
County Surveyor	4,000	4,000	4,000	-0-
Airport	67,500	67,500	67,500	-0-
Emergency Services	25,741	25,741	25,741	-0-
Friend of the Court	84,975	84,975	184,641	(99,666)
Law Library	10,000	10,000	10,000	-0-
Building Authority - Courthouse	126,710	126,710	126,708	2
Building Authority - Human Services	89,765	89,765	89,762	3
Building Authority - Refunding 2002	128,685	128,685	128,685	-0-
TOTAL OTHER FINANCING USES	1,203,798	1,203,798	1,303,458	(99,660)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 11,552,831</u>	<u>\$ 11,638,814</u>	<u>\$ 11,917,362</u>	<u>\$ (278,548)</u>



Branch County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ -	\$ 1,712,173	\$ 1,712,173	\$ -0-
Interest	-	15,000	24,859	9,859
TOTAL REVENUES	-0-	1,727,173	1,737,032	9,859
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	1,727,173	1,737,032	9,859
OTHER FINANCING USES				
Transfers out	-	(779,515)	(779,515)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	947,658	957,517	9,859
Fund balance, beginning of year	1,373,635	1,373,635	1,373,635	-0-
Fund balance, end of year	<u>\$ 1,373,635</u>	<u>\$ 2,321,293</u>	<u>\$ 2,331,152</u>	<u>\$ 9,859</u>

Branch County, Michigan

Commission on Aging Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 485,163	\$ 506,284	\$ 506,283	\$ (1)
Intergovernmental	-	-	83,320	83,320
Charges for services	145,580	156,015	179,383	23,368
Interest and rents	12,300	19,096	19,095	(1)
Other	6,000	8,569	9,843	1,274
TOTAL REVENUES	649,043	689,964	797,924	107,960
EXPENDITURES				
Current				
Health and welfare	827,972	835,735	823,945	11,790
Capital outlay	-	-	33,041	(33,041)
TOTAL EXPENDITURES	827,972	835,735	856,986	(21,251)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(178,929)	(145,771)	(59,062)	86,709
OTHER FINANCING SOURCES				
Transfers in	78,855	88,105	87,105	(1,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(100,074)	(57,666)	28,043	85,709
Fund balance, beginning of year	164,367	164,367	164,367	-0-
Fund balance, end of year	\$ 64,293	\$ 106,701	\$ 192,410	\$ 85,709

Branch County, Michigan  
Emergency Services Fund  
BUDGETARY COMPARISON SCHEDULE  
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 761,500	\$ 761,500	\$ 798,681	\$ 37,181
Intergovernmental - Federal/State	29,500	29,500	15,456	(14,044)
Charges for services	202,951	202,951	359,683	156,732
Interest and rents	3,000	3,000	18,734	15,734
Other				
Reimbursements	-	-	506	506
 TOTAL REVENUES	 996,951	 996,951	 1,193,060	 196,109
EXPENDITURES				
Current				
Health and welfare	1,017,652	1,017,652	847,817	169,835
Debt service	239,750	239,750	159,398	80,352
Capital outlay	106,951	106,951	65,131	41,820
 TOTAL EXPENDITURES	 1,364,353	 1,364,353	 1,072,346	 292,007
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (367,402)	 (367,402)	 120,714	 488,116
OTHER FINANCING SOURCES				
Transfers in	25,741	25,741	28,806	3,065
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	 (341,661)	 (341,661)	 149,520	 491,181
 Fund balance, beginning of year	 483,450	 483,450	 483,450	 -0-
 Fund balance, end of year	 <u>\$ 141,789</u>	 <u>\$ 141,789</u>	 <u>\$ 632,970</u>	 <u>\$ 491,181</u>

## Branch County, Michigan

## Jail Millage Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 525,536	\$ 525,752	\$ 526,544	\$ 792
Interest and rents	1,500	3,500	8,988	5,488
TOTAL REVENUES	527,036	529,252	535,532	6,280
EXPENDITURES				
Current				
Public safety	1,275	3,292	5,017	(1,725)
Capital outlay	-	29,350	15,700	13,650
TOTAL EXPENDITURES	1,275	32,642	20,717	11,925
EXCESS OF REVENUES OVER EXPENDITURES	525,761	496,610	514,815	18,205
OTHER FINANCING USES				
Transfers out	(475,000)	(475,000)	(475,000)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	50,761	21,610	39,815	18,205
Fund balance, beginning of year	74,782	74,782	74,782	-0-
Fund balance, end of year	\$ 125,543	\$ 96,392	\$ 114,597	\$ 18,205

## **OTHER SUPPLEMENTARY INFORMATION**

## Branch County, Michigan

## Nonmajor Governmental Funds

## COMBINING BALANCE SHEET

December 31, 2005

	Special		
	Marriage Counseling	Sheriff's Training	Parks
ASSETS			
Cash and cash equivalents	\$ (1,885)	\$ 10,824	\$ 29,566
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Prepays	-	-	-
Due from other governmental units - Federal/State	-	-	-
TOTAL ASSETS	<u>\$ (1,885)</u>	<u>\$ 10,824</u>	<u>\$ 29,566</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 652	\$ -	\$ 10,540
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	652	-0-	10,540
FUND BALANCES (DEFICITS)			
Reserved for:			
Inventories	-	-	-
Prepays	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	<u>(2,537)</u>	<u>10,824</u>	<u>19,026</u>
TOTAL FUND BALANCES (DEFICITS)	<u>(2,537)</u>	<u>10,824</u>	<u>19,026</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ (1,885)</u>	<u>\$ 10,824</u>	<u>\$ 29,566</u>

Revenue				
Friend of the Court	Tax Administration	Mental Health Building Maintenance	Solid Waste Management Planning	Plat Books
\$ (122,589)	\$ 117,197	\$ 29,509	\$ 2,718	\$ (5,507)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	370
-	-	13,500	-	-
117,265	-	-	-	-
<u>\$ (5,324)</u>	<u>\$ 117,197</u>	<u>\$ 43,009</u>	<u>\$ 2,718</u>	<u>\$ (5,137)</u>
\$ 3,372	\$ -	\$ 40	\$ -	\$ (12)
5,181	-	-	-	-
396	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,949	-0-	40	-0-	(12)
-	-	-	-	370
-	-	13,500	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(14,273)	117,197	29,469	2,718	(5,495)
(14,273)	117,197	42,969	2,718	(5,125)
<u>\$ (5,324)</u>	<u>\$ 117,197</u>	<u>\$ 43,009</u>	<u>\$ 2,718</u>	<u>\$ (5,137)</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Animal Shelter	Special Juvenile Day Care Program	Sheriff's Special Investigation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,149	\$ (17,740)	\$ 29,598
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Prepays	-	-	-
Due from other governmental units - Federal/State	-	19,497	-
<b>TOTAL ASSETS</b>	<b>\$ 1,149</b>	<b>\$ 1,757</b>	<b>\$ 29,598</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 719	\$ 24
Accrued payroll	-	2,497	-
Other accrued liabilities	-	191	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>3,407</b>	<b>24</b>
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for:			
Inventories	-	-	-
Prepays	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	1,149	(1,650)	29,574
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>1,149</b>	<b>(1,650)</b>	<b>29,574</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 1,149</b>	<b>\$ 1,757</b>	<b>\$ 29,598</b>



Revenue				
Prosecutor's Special Investigation	Law Library	Housing Commission	DHS	Child Care - Probate Court
\$ 49,576	\$ 5,497	\$ 41,349	\$ 36,943	\$ 262,901
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	11,540	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	24,660	25,596
<u>\$ 49,576</u>	<u>\$ 5,497</u>	<u>\$ 52,889</u>	<u>\$ 61,603</u>	<u>\$ 288,497</u>
\$ 331	\$ 1,786	\$ 16,277	\$ -	\$ 13,738
-	-	-	-	2,680
-	-	92	-	205
-	-	-	-	-
-	-	-	34,000	-
-	-	11,540	-	-
331	1,786	27,909	34,000	16,623
-	-	-	-	-
-	-	-	-	-
-	-	24,980	-	-
-	-	-	-	-
-	-	-	-	-
49,245	3,711	-	27,603	271,874
49,245	3,711	24,980	27,603	271,874
<u>\$ 49,576</u>	<u>\$ 5,497</u>	<u>\$ 52,889</u>	<u>\$ 61,603</u>	<u>\$ 288,497</u>

## Branch County, Michigan

## Nonmajor Governmental Funds

## COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special		
	Child Care - DHS	Building Inspection	County Surveyor
<b>ASSETS</b>			
Cash and cash equivalents	\$ (37,274)	\$ 92,145	\$ 1,669
Investments	-	-	-
Accounts receivable	-	5,058	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Prepays	-	-	-
Due from other governmental units - Federal/State	6,859	-	-
<b>TOTAL ASSETS</b>	<u>\$ (30,415)</u>	<u>\$ 97,203</u>	<u>\$ 1,669</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 313	\$ -
Accrued payroll	-	4,000	-
Other accrued liabilities	-	306	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	-0-	4,619	-0-
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for:			
Inventories	-	-	-
Prepays	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	(30,415)	92,584	1,669
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>(30,415)</u>	<u>92,584</u>	<u>1,669</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ (30,415)</u>	<u>\$ 97,203</u>	<u>\$ 1,669</u>

Revenue				
Veterans' Trust	Soldiers and Sailors	Victims' Rights	MSU Grants	Airport
\$ 821	\$ 33,299	\$ 4,641	\$ 107	\$ 20,233
-	-	-	-	-
-	-	-	-	-
-	111,541	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	302	-	-
<u>\$ 821</u>	<u>\$ 144,840</u>	<u>\$ 4,943</u>	<u>\$ 107</u>	<u>\$ 20,233</u>
\$ 104	\$ 1,560	\$ 16	\$ -	\$ 834
-	-	635	-	-
-	-	49	-	-
-	-	-	-	-
-	-	-	-	-
-	111,541	-	-	-
104	113,101	700	-0-	834
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
717	31,739	4,243	107	19,399
717	31,739	4,243	107	19,399
<u>\$ 821</u>	<u>\$ 144,840</u>	<u>\$ 4,943</u>	<u>\$ 107</u>	<u>\$ 20,233</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Commission on Aging Facility	Special Clock Tower	Register of Deeds Automation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 175,696	\$ 6,624	\$ 50,416
Investments	100,000	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Prepays	-	-	-
Due from other governmental units - Federal/State	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 275,696</b>	<b>\$ 6,624</b>	<b>\$ 50,416</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	5,199	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,199</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for:			
Inventories	-	-	-
Prepays	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	6,624	-
Unreserved			
Designated for debt service	200,000	-	-
Undesignated, reported in:			
Special revenue funds	70,497	-	50,416
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>270,497</b>	<b>6,624</b>	<b>50,416</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 275,696</b>	<b>\$ 6,624</b>	<b>\$ 50,416</b>

Revenue			Debt Service		
Homestead Property Tax	Homeland Security Grant	Local Correction Officer Training	Building Authority - COA	Building Authority - DHS	Building Authority - Hospital
\$ 215	\$ 34,058	\$ 26,785	\$ -	\$ -	\$ 94
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>215</u>	<u>34,058</u>	<u>26,785</u>	<u>-</u>	<u>-</u>	<u>94</u>
<u>\$ 215</u>	<u>\$ 34,058</u>	<u>\$ 26,785</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 94</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	94
<u>215</u>	<u>34,058</u>	<u>26,785</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>215</u>	<u>34,058</u>	<u>26,785</u>	<u>-0-</u>	<u>-0-</u>	<u>94</u>
<u>\$ 215</u>	<u>\$ 34,058</u>	<u>\$ 26,785</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 94</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Debt Service		
	Building Authority - Human Services	Building Authority - Courthouse	Building Authority - Refunding
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 258	\$ -
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Prepays	-	-	-
Due from other governmental units - Federal/State	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -0-</u>	<u>\$ 258</u>	<u>\$ -0-</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	-0-	-0-	-0-
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for:			
Inventories	-	-	-
Prepays	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	258	-
Undesignated, reported in:			
Special revenue funds	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-0-</u>	<u>258</u>	<u>-0-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ -0-</u>	<u>\$ 258</u>	<u>\$ -0-</u>

Total  
Nonmajor  
Governmental  
Funds

---

\$ 878,893  
100,000  
5,058  
111,541  
11,540  
370  
13,500

---

194,179

\$ 1,315,081

\$ 50,294  
14,993  
1,239  
5,199  
34,000  
123,081

---

228,806

370  
13,500  
24,980  
6,624

200,352

---

840,449

---

1,086,275

\$ 1,315,081

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	Special		
	Marriage Counseling	Sheriff's Training	Parks
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	4,845	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	-	5,394	-
Charges for services	-	-	316,688
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	4,845	5,394	316,688
EXPENDITURES			
Current			
General government	7,382	-	-
Public safety	-	2,000	-
Health and welfare	-	-	-
Recreation and cultural	-	-	205,999
Capital outlay	-	-	71,193
Debt service	-	-	5,784
TOTAL EXPENDITURES	7,382	2,000	282,976
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,537)	3,394	33,712
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,537)	3,394	33,712
Fund balances (deficits), beginning of year	-	7,430	(14,686)
Fund balances (deficits), end of year	\$ (2,537)	\$ 10,824	\$ 19,026



Revenue				
Friend of the Court	Tax Administration	Mental Health Building Maintenance	Solid Waste Management Planning	Plat Books
\$ -	\$ 7,264	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
628,692	-	-	-	-
72,165	-	49,500	-	1,349
-	-	-	-	-
-	-	-	-	-
1,621	-	-	-	-
702,478	7,264	49,500	-0-	1,349
916,189	966	12,032	-	6,474
-	-	-	-	-
-	-	-	200	-
-	-	-	-	-
9,895	2,152	-	-	-
-	-	-	-	-
926,084	3,118	12,032	200	6,474
(223,606)	4,146	37,468	(200)	(5,125)
184,641	-	-	-	-
-	(10,348)	-	-	-
184,641	(10,348)	-0-	-0-	-0-
(38,965)	(6,202)	37,468	(200)	(5,125)
24,692	123,399	5,501	2,918	-
\$ (14,273)	\$ 117,197	\$ 42,969	\$ 2,718	\$ (5,125)

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Animal Shelter	Special Juvenile Day Care Program	Sheriff's Special Investigation
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	-	141,623	-
Charges for services	-	-	-
Fines and forfeits	-	-	2,152
Interest and rents	-	-	957
Other	41	5	-
TOTAL REVENUES	41	141,628	3,109
EXPENDITURES			
Current			
General government	-	-	-
Public safety	200	-	6,774
Health and welfare	-	177,858	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	200	177,858	6,774
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(159)	(36,230)	(3,665)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	34,580	-
Transfers out	-	-	(15,034)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	34,580	(15,034)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(159)	(1,650)	(18,699)
Fund balances (deficits), beginning of year	1,308	-	48,273
Fund balances (deficits), end of year	\$ 1,149	\$ (1,650)	\$ 29,574

Revenue				
Prosecutor's Special Investigation	Law Library	Housing Commission	DHS	Child Care - Probate Court
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	52,161	215,268	173,606
-	-	4,011	-	-
6,971	4,500	-	-	-
1,367	-	-	-	-
-	-	4,898	17,147	13,435
8,338	4,500	61,070	232,415	187,041
-	12,544	-	-	-
5,302	-	-	-	-
-	-	102,187	226,795	382,728
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,302	12,544	102,187	226,795	382,728
3,036	(8,044)	(41,117)	5,620	(195,687)
-	10,000	-	20,000	425,252
(15,034)	-	-	-	(34,580)
(15,034)	10,000	-0-	20,000	390,672
(11,998)	1,956	(41,117)	25,620	194,985
61,243	1,755	66,097	1,983	76,889
\$ 49,245	\$ 3,711	\$ 24,980	\$ 27,603	\$ 271,874

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Child Care - DHS	Building Inspection	County Surveyor
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	376,078	-
Intergovernmental -			
Local	-	-	-
Federal/State	77,752	-	-
Charges for services	-	7	-
Fines and forfeits	-	73	-
Interest and rents	-	-	-
Other	21,566	814	-
TOTAL REVENUES	99,318	376,972	-0-
EXPENDITURES			
Current			
General government	-	-	4,200
Public safety	-	340,150	-
Health and welfare	171,851	-	-
Recreation and cultural	-	-	-
Capital outlay	-	22,681	-
Debt service	-	-	-
TOTAL EXPENDITURES	171,851	362,831	4,200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(72,533)	14,141	(4,200)
OTHER FINANCING SOURCES (USES)			
Transfers in	35,000	-	4,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	35,000	-0-	4,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(37,533)	14,141	(200)
Fund balances (deficits), beginning of year	7,118	78,443	1,869
Fund balances (deficits), end of year	\$ (30,415)	\$ 92,584	\$ 1,669

Revenue

Veterans' Trust	Soldiers and Sailors	Victims' Rights	MSU Grants	Airport
\$ -	\$ 106,300	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
3,115	-	45,022	79,301	727,401
-	-	-	-	-
-	-	-	-	-
-	-	-	-	48,048
-	19,432	425	-	84
3,115	125,732	45,447	79,301	775,533
-	-	-	79,194	75,708
-	-	-	-	-
2,398	77,693	45,828	-	-
-	-	-	-	-
-	16,300	-	-	833,077
-	-	-	-	-
2,398	93,993	45,828	79,194	908,785
717	31,739	(381)	107	(133,252)
-	-	-	-	67,500
-	-	-	-	-
-0-	-0-	-0-	-0-	67,500
717	31,739	(381)	107	(65,752)
-	-	4,624	-	85,151
\$ 717	\$ 31,739	\$ 4,243	\$ 107	\$ 19,399

## Branch County, Michigan

## Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Special		
	Commission on Aging Facility	Clock Tower	Register of Deeds Automation
REVENUES			
Taxes	\$ 260,505	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	-	-	-
Charges for services	-	-	56,610
Fines and forfeits	-	-	-
Interest and rents	7,248	41	2,263
Other	-	-	-
TOTAL REVENUES	267,753	41	58,873
EXPENDITURES			
Current			
General government	-	200	75,356
Public safety	-	-	-
Health and welfare	678	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	41,126
Debt service	-	-	-
TOTAL EXPENDITURES	678	200	116,482
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	267,075	(159)	(57,609)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(165,685)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(165,685)	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	101,390	(159)	(57,609)
Fund balances (deficits), beginning of year	169,107	6,783	108,025
Fund balances (deficits), end of year	\$ 270,497	\$ 6,624	\$ 50,416

Revenue			Debt Service		
Homestead Property Tax	Homeland Security Grant	Local Correction Officer Training	Building Authority - COA	Building Authority - DHS	Building Authority - Hospital
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	374,959
-	162,729	-	-	-	-
-	-	18,130	-	-	-
-	-	-	-	-	-
280	-	-	-	-	-
-	-	-	-	-	-
280	162,729	18,130	-0-	-0-	374,959
199	-	-	-	-	-
-	1,390	8,161	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	124,216	-	-	-	-
-	-	-	78,580	186,169	374,959
199	125,606	8,161	78,580	186,169	374,959
81	37,123	9,969	(78,580)	(186,169)	-0-
-	-	-	78,580	186,169	-
-	(3,065)	-	-	-	-
-0-	(3,065)	-0-	78,580	186,169	-0-
81	34,058	9,969	-0-	-0-	-0-
134	-	16,816	-	-	94
\$ 215	\$ 34,058	\$ 26,785	\$ -0-	\$ -0-	\$ 94

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Debt Service		
	Building Authority - Human Services	Building Authority - Courthouse	Building Authority - Refunding
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	169,025
Federal/State	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	258	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	-0-	258	169,025
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	89,762	126,708	297,710
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	89,762	126,708	297,710
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(89,762)	(126,450)	(128,685)
OTHER FINANCING SOURCES (USES)			
Transfers in	89,762	126,708	128,685
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	89,762	126,708	128,685
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	258	-0-
Fund balances (deficits), beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	\$ -0-	\$ 258	\$ -0-
	<hr/>	<hr/>	<hr/>



Total  
Nonmajor  
Governmental  
Funds

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\$ 374,069  
380,923

543,984  
2,312,064  
518,460  
13,696  
60,204  
79,726

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4,283,126

1,190,444  
363,977  
1,188,216  
205,999  
1,120,640  
1,159,672

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5,228,948

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(945,822)

1,390,877  
(243,746)

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1,147,131

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201,309

884,966

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\$ 1,086,275

Branch County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2005

	Trust and Agency	Library	Total
ASSETS			
Cash	\$ 1,252,633	\$ 14,550	\$ 1,267,183
LIABILITIES			
Undistributed collections	\$ 1,030,645	\$ -	\$ 1,030,645
Defendant bonds payable	148,214	-	148,214
Due to other governmental units			
Federal/State	34,902	-	34,902
Local	1,123	14,550	15,673
Due to individuals and agencies	37,749	-	37,749
TOTAL LIABILITIES	\$ 1,252,633	\$ 14,550	\$ 1,267,183

Branch County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2005

	Debt Service		
	Regular Drain	Lake Level	Marble Lake Level
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Special assessments receivable	479,940	-	-
Inventories	-	-	-
Due from other governmental units	-	-	-
Due from other funds	95,778	30,000	-
<b>TOTAL ASSETS</b>	<u>\$ 575,718</u>	<u>\$ 30,000</u>	<u>\$ -0-</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	257,240	-	-
Due to other governmental units	-	-	-
Notes payable	-	-	-
<b>TOTAL LIABILITIES</b>	257,240	-0-	-0-
<b>FUND BALANCES</b>			
Fund balances			
Reserved for debt service	318,478	30,000	-
Reserved for inventories	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>318,478</u>	<u>30,000</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 575,718</u>	<u>\$ 30,000</u>	<u>\$ -0-</u>

Capital Projects

Regular Drain	Drain Revolving	Lake Level	Lake Level Revolving	Hodunk/ Messger Lake	Total
\$ 430,839	\$ 10,413	\$ 104,758	\$ 9,000	\$ 26,461	\$ 581,471
103,500	-	-	-	-	583,440
21,740	-	-	-	-	21,740
4,138	-	-	-	-	4,138
-	89,587	-	-	-	215,365
<u>\$ 560,217</u>	<u>\$ 100,000</u>	<u>\$ 104,758</u>	<u>\$ 9,000</u>	<u>\$ 26,461</u>	<u>\$ 1,406,154</u>
\$ 16,354	\$ -	\$ 349	\$ -	\$ -	\$ 16,703
185,365	-	30,000	-	-	215,365
-	-	-	-	-	257,240
-	100,000	-	9,000	-	109,000
11,000	-	-	-	-	11,000
212,719	100,000	30,349	9,000	-0-	609,308
-	-	-	-	-	348,478
21,740	-	-	-	-	21,740
325,758	-	74,409	-	26,461	426,628
-	-	-	-	-	-0-
347,498	-0-	74,409	-0-	26,461	796,846
<u>\$ 560,217</u>	<u>\$ 100,000</u>	<u>\$ 104,758</u>	<u>\$ 9,000</u>	<u>\$ 26,461</u>	<u>\$ 1,406,154</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2005

**Total fund balances - governmental funds** \$ 796,846

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,607,485	
Accumulated depreciation is	<u>(2,015,310)</u>	
Capital assets, net		1,592,175

Long-term receivables are not available to pay for current period  
expenditures and therefore deferred in the funds. These consist of:

Deferred revenue	257,240
------------------	---------

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Notes payable	242,740	
Accrued interest payable	<u>19,617</u>	
		<u>(262,357)</u>

**Net assets of governmental activities** \$ 2,383,904

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2005

	Debt Service		
	Regular Drain	Lake Level	Marble Lake Level
REVENUES			
Interest	\$ -	\$ -	\$ -
Other			
Special assessments	62,994	-	-
TOTAL REVENUES	62,994	-0-	-0-
EXPENDITURES			
Current			
Public works	-	-	335
Debt service			
Principal	102,830	-	-
Interest and fiscal charges	4,725	-	-
TOTAL EXPENDITURES	107,555	-0-	335
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,561)	-0-	(335)
OTHER FINANCING SOURCES			
Long-term note proceeds	99,500	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	54,939	-0-	(335)
Fund balances, beginning of year	263,539	30,000	335
Fund balances, end of year	\$ 318,478	\$ 30,000	\$ -0-

Capital Projects

Regular Drain	Drain Revolving	Lake Level	Lake Level Revolving	Hodunk/ Messger Lake	Total
\$ 11,177	\$ -	\$ 2,056	\$ -	\$ -	\$ 13,233
433,055	-	22,023	-	89,925	607,997
444,232	-0-	24,079	-0-	89,925	621,230
413,157	-	23,451	-	71,730	508,673
-	-	-	-	-	102,830
-	-	-	-	-	4,725
413,157	-0-	23,451	-0-	71,730	616,228
31,075	-0-	628	-0-	18,195	5,002
-	-	-	-	-	99,500
31,075	-0-	628	-0-	18,195	104,502
316,423	-	73,781	-	8,266	692,344
<u>\$ 347,498</u>	<u>\$ -0-</u>	<u>\$ 74,409</u>	<u>\$ -0-</u>	<u>\$ 26,461</u>	<u>\$ 796,846</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2005

**Net change in fund balances - total governmental funds** \$ 104,502

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 72,820	
Depreciation expense	<u>(156,839)</u>	
Excess of depreciation expense over capital outlay		(84,019)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue	10,835
----------------------------	--------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	\$ (99,500)	
Note principal retirement	<u>102,830</u>	
		3,330

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Change in accrued interest payable	<u>(7,954)</u>
------------------------------------	----------------

**Change in net assets of governmental activities** \$ 26,694



## Branch County, Michigan

## Component Unit Funds

## COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2005

	Special Revenue	Debt Service	
	Water and Sewer	Coldwater/ Long Lake Sewer Supplemental	Sewer #2 Refunding
<b>ASSETS</b>			
Cash and cash equivalents	\$ 61,038	\$ 106,436	\$ 6,656
Investments	-	-	-
Special assessment receivable	-	935,675	5,147,611
Capital assets not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 61,038</b>	<b>\$ 1,042,111</b>	<b>\$ 5,154,267</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 448	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Deferred revenue	-	852,131	4,839,203
Due to other governmental units	-	-	-
<b>TOTAL LIABILITIES</b>	<b>448</b>	<b>852,131</b>	<b>4,839,203</b>
<b>FUND EQUITY</b>			
<b>Net assets</b>			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	-	-	-
<b>Fund balances</b>			
Reserved for advances	-	-	-
Reserved for debt service	-	189,980	315,064
<b>Unreserved</b>			
Designated for capital expenditures	26,495	-	-
Undesignated, reported in special revenue funds	34,095	-	-
<b>TOTAL FUND EQUITY</b>	<b>60,590</b>	<b>189,980</b>	<b>315,064</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 61,038</b>	<b>\$ 1,042,111</b>	<b>\$ 5,154,267</b>

Capital Projects	Enterprise			Internal Service	
Lake Maintenance	Sewer	DPW Operation and Maintenance	Ovid Treatment Plant	BPW Revolving	Total
\$ 139,550	\$ 291,746	\$ 111,236	\$ 134,016	\$ 48,323	\$ 899,001
43,898	-	-	-	-	43,898
-	-	-	-	-	6,083,286
-	913,064	-	183,779	-	1,096,843
-	1,652,852	-	10,176,775	-	11,829,627
<u>\$ 183,448</u>	<u>\$ 2,857,662</u>	<u>\$ 111,236</u>	<u>\$ 10,494,570</u>	<u>\$ 48,323</u>	<u>\$ 19,952,655</u>
\$ -	\$ 888	\$ 2,740	\$ 2,914	\$ -	\$ 6,990
-	-	1,981	-	-	1,981
-	-	152	-	-	152
-	-	-	-	-	5,691,334
-	-	-	-	35,000	35,000
-0-	888	4,873	2,914	35,000	5,735,457
-	2,565,916	-	10,360,554	-	12,926,470
-	290,858	106,363	131,102	13,323	541,646
-	-	-	-	-	-
-	-	-	-	-	505,044
183,448	-	-	-	-	209,943
-	-	-	-	-	34,095
<u>183,448</u>	<u>2,856,774</u>	<u>106,363</u>	<u>10,491,656</u>	<u>13,323</u>	<u>14,217,198</u>
<u>\$ 183,448</u>	<u>\$ 2,857,662</u>	<u>\$ 111,236</u>	<u>\$ 10,494,570</u>	<u>\$ 48,323</u>	<u>\$ 19,952,655</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2005

**Total fund balances - governmental funds** \$ 749,082

Amounts reported for the governmental activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	13,323
--	--------

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:

Deferred portion of special assessments	5,691,334
---	-----------

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets. These amounts consist of:

Unamortized defeased debt	140,283
---------------------------	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Accrued interest payable	29,002	
Direct county obligations	4,895,000	
		(4,924,002)

<b>Net assets of governmental activities</b>	<b>\$ 1,670,020</b>
--	---------------------

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUND TYPES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

	Special Revenue	Debt Service	
	Water and Sewer	Coldwater/ Long Lake Sewer Supplemental	Sewer #2 Refunding
REVENUES			
Interest	\$ 499	\$ 1,786	\$ 1,782
Other			
Special assessments	12,600	86,643	324,599
Miscellaneous	375	-	-
TOTAL REVENUES	13,474	88,429	326,381
EXPENDITURES			
General government			
Other	400	431	837
Debt service			
Principal	-	40,000	165,000
Interest and fiscal charges	-	2,500	174,819
Capital outlay			
Construction	16,650	-	-
TOTAL EXPENDITURES	17,050	42,931	340,656
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,576)	45,498	(14,275)
Fund balances, beginning of year	64,166	144,482	329,339
Fund balances, end of year	\$ 60,590	\$ 189,980	\$ 315,064

Capital  
Projects

<u>Lake Maintenance</u>	<u>Total</u>
\$ 5,206	\$ 9,273
-	423,842
-	375
5,206	433,490
400	2,068
-	205,000
-	177,319
<u>7,000</u>	<u>23,650</u>
<u>7,400</u>	<u>408,037</u>
(2,194)	25,453
<u>185,642</u>	<u>723,629</u>
<u>\$ 183,448</u>	<u>\$ 749,082</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 25,453</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net income from governmental activities accounted for in Internal Service Funds	1,200
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue	(391,952)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Amortization of defeased debt	(8,768)	
Bond principal retirement	<u>205,000</u>	196,232

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Change in accrued interest payable	<u>39,608</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ (129,459)</u></b>
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Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND TYPES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

		Enterprise	
		DPW	Ovid
	Sewer	Operation and Maintenance	Treatment Plant
OPERATING REVENUES			
Charges for services	\$ 131,467	\$ 217,103	\$ 219,615
Other	-	70	857
TOTAL OPERATING REVENUES	131,467	217,173	220,472
OPERATING EXPENSES			
Personal services	-	118,912	351
Fringe benefits	-	38,321	-
Operating supplies	-	6,474	18,637
Contractual services	78,608	5,560	150,012
Depreciation	81,750	-	245,507
Other	51,447	49,070	35,494
TOTAL OPERATING EXPENSES	211,805	218,337	450,001
OPERATING INCOME (LOSS)	(80,338)	(1,164)	(229,529)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	6,541	-	718
Interest expense	-	(75)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	6,541	(75)	718
NET INCOME (LOSS)	(73,797)	(1,239)	(228,811)
Net assets, beginning of year	2,930,571	107,602	10,720,467
Net assets, end of year	<u>\$ 2,856,774</u>	<u>\$ 106,363</u>	<u>\$ 10,491,656</u>

<u>Internal Service</u>	
<u>BPW Revolving</u>	<u>Total</u>
\$ -	\$ 568,185
<u>1,200</u>	<u>2,127</u>
1,200	570,312
-	119,263
-	38,321
-	25,111
-	234,180
-	327,257
-	<u>136,011</u>
<u>-0-</u>	<u>880,143</u>
1,200	(309,831)
-	7,259
-	<u>(75)</u>
<u>-0-</u>	<u>7,184</u>
1,200	(302,647)
<u>12,123</u>	<u>13,770,763</u>
<u>\$ 13,323</u>	<u>\$ 13,468,116</u>



Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES -  
BOARD OF PUBLIC WORKS

Year Ended December 31, 2005

	Sewer	Enterprise DPW Operation and Maintenance	Ovid Treatment Plant
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from users	\$ 131,467	\$ 217,173	\$ 220,472
Cash paid to suppliers	(129,555)	(64,387)	(202,731)
Cash paid to employees	-	(118,965)	(351)
Cash paid for employee benefits	-	(38,321)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	1,912	(4,500)	17,390
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of investments	130,450	-	-
Interest revenue	6,541	-	718
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	136,991	-	718
<b>CASH FLOWS FROM CAPITAL AND RELATED FIANANCING ACTIVITES</b>			
Interest expense	-	(75)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	138,903	(4,575)	18,108
Cash and cash equivalents, beginning of year	152,843	115,811	115,908
Cash and cash equivalents, end of year	<u>\$ 291,746</u>	<u>\$ 111,236</u>	<u>\$ 134,016</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (80,338)	\$ (1,164)	\$ (229,529)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	81,750	-	245,507
Increase (decrease) in accounts payable	500	(3,279)	1,412
(Decrease) in accrued payroll	-	(53)	-
(Decrease) in accrued liabilities	-	(4)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 1,912</u>	<u>\$ (4,500)</u>	<u>\$ 17,390</u>

<u>Internal Service</u>		
<u>BPW Revolving</u>	<u>Total</u>	
\$ 1,200	\$ 570,312	
-	(396,673)	
-	(119,316)	
-	(38,321)	
1,200	16,002	
-	130,450	
-	7,259	
-0-	137,709	
-	(75)	
1,200	153,636	
47,123	431,685	
<u>\$ 48,323</u>	<u>\$ 585,321</u>	
\$ 1,200	\$ (309,831)	
-	327,257	
-	(1,367)	
-	(53)	
-	(4)	
<u>\$ 1,200</u>	<u>\$ 16,002</u>	

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Branch County  
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units and the aggregate fund information of Branch County as of and for the year ended December 31, 2005, which collectively comprise the Branch County basic financial statements and have issued our report thereon dated April 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Branch County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Branch County in a separate letter dated April 7, 2006.

This report is intended solely for the information and use of the administration and Board of Commissioners of Branch County, management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 7, 2006

**Branch County, Michigan**

**SUPPLEMENTARY INFORMATION TO  
BASIC FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**December 31, 2005**

Branch County, Michigan

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December 31, 2005

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Principals

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners  
of Branch County  
Coldwater, Michigan

Compliance

We have audited the compliance of Branch County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Branch County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Branch County's management. Our responsibility is to express an opinion on Branch County's compliance based on our audit.

Branch County's basic financial statements include the operations of the Branch-Hillsdale-St. Joseph Community Health Agency, which received \$2,614,577 in federal awards during the year ended September 30, 2005, and the Branch County Road Commission, which received \$176,133 in federal awards during the year ended December 31, 2005. Our audit, described below, did not include the operations of the Branch-Hillsdale-St. Joseph Community Health Agency or the Branch County Road Commission because the component units have engaged us and other auditors to perform separate audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Branch County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Branch County's compliance with those requirements.

In our opinion, Branch County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ending December 31, 2005.

Internal Control Over Compliance

The management of Branch County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Branch County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Branch County as of and for the year ended December 31, 2005, and have issued our report thereon dated April 7, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Branch County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Branch County, Michigan and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 7, 2006



Branch County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE					
Farmers Home Administration (Direct Program)					
Water and Waste Disposal Systems for Rural Communities	10.418				
Loan Funds		N/A	\$ 6,300,000	\$ -	\$ -
U.S. DEPARTMENT OF JUSTICE					
Passed through Michigan Department of Community Health					
Byrne Formula Grant Program	16.579				
FY 05-06		2005-826	99,200	64,407	64,407
Edward Byrne Memorial Justice Assistance Grant Program	16.738				
FY 06-07		N/A	<u>132,266</u>	<u>13,506</u>	<u>13,506</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			231,466	77,913	77,913
U.S. DEPARTMENT OF EDUCATION					
Passed through the State Office of Drug Control Policy					
Safe and Drug Free Schools and Communities					
(Governor's Discretionary Funds)	84.186A				
Juvenile Day Treatment Pilot Program					
FY 04-05		2005-1480	74,678	54,531	54,531
FY 05-06		2006-1382	<u>30,000</u>	<u>9,179</u>	<u>9,179</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			104,678	63,710	63,710
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through State Department of Office on Services to the Aging					
and Branch-Hillsdale-St. Joseph Community Health Agency					
Title III-B Special Programs for Aging	93.044				
(Chore, Case Coordination, Homecare Assistance,					
In-Home Respite, and Information and Assistance)					
FY 04-05		N/A	21,536	12,763	12,763
FY 05-06		N/A	<u>17,719</u>	<u>4,685</u>	<u>4,685</u>
			39,255	17,448	17,448
Title III-E Special Programs for Aging	93.052				
(Nation Family Caregiver Support Program)					
FY 04-05		N/A	21,240	18,799	18,799
FY 05-06		N/A	<u>16,870</u>	<u>3,933</u>	<u>3,933</u>
			38,110	22,732	22,732

Branch County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through Michigan Department of Human Services					
Child Support Enforcement (Title IV-D) <sup>(c)</sup>	93.563				
Cooperative Reimbursement - Friend of the Court <sup>(a)</sup>					
2004-2005		CS/FOC-05-12001	\$ 603,857	\$ 401,238	\$ 401,238
2005-2006		CS/FOC-06-12001	548,321	70,085	70,085
Medical Support Collection - Friend of the Court <sup>(a)</sup>					
2004-2005		CS/MED-05-12001	14,965	4,606	4,606
Cooperative Reimbursement - Prosecuting Attorney <sup>(a)</sup>					
2004-2005		CS/PA-05-12002	75,224	48,679	48,679
2005-2006		CS/PA-06-12002	78,342	15,396	15,396
Federal Incentive Payments - FOC <sup>(b)</sup>					
2002-2003		N/A	41,522	41,522	41,522
2003-2004		N/A	17,411	17,411	17,411
2004-2005		N/A	41,353	41,353	41,353
2005-2006		N/A	36,662	36,662	36,662
			<u>1,457,657</u>	<u>676,952</u>	<u>676,952</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,535,022	717,132	717,132
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed through Michigan Department of State Police					
Emergency Management Division					
State Domestic Preparedness Equipment Support Program	97.004				
2003 SHSGP II Training		N/A	44,276	6,000	6,000
2004 HS GP		N/A	341,242	156,729	156,729
			385,518	162,729	162,729
Emergency Management Performance Grants	97.042				
2004		N/A	13,744	197	197
2005		N/A	13,740	13,740	13,740
			<u>27,484</u>	<u>13,937</u>	<u>13,937</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>413,002</u>	<u>176,666</u>	<u>176,666</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 8,584,168</u>	<u>\$ 1,035,421</u>	<u>\$ 1,035,421</u>

Branch County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2005

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Branch County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) - (c) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Cooperative Reimbursement	93.563	66%
Medical Support Collection	93.563	66

- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.

- (c) Denotes programs tested as "major programs".

**NOTE C: RECONCILIATION TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE EXPENDITURES**

The following reconciles the federal revenues reported in the December 31, 2005 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Cooperative Reimbursement -				
Prosecuting Attorney	\$ 68,341	\$ 4,266	\$ -	\$ 64,075
Other Programs	<u>979,806</u>	<u>979,806</u>	<u>-</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,048,147	984,072	-0-	64,075

Branch County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2005

**NOTE C: RECONCILIATION TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE EXPENDITURES - CONTINUED**

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED				
SPECIAL REVENUE FUNDS				
Friend of the Court	\$ 628,692	\$ 15,815	\$ -	\$ 612,877
Juvenile Day Care Program	141,623	-	-	141,623
Airport	727,401	-	( 727,401 ) <sup>(1)</sup>	-0-
Commission on Aging	83,320	43,140	-	40,180
Emergency Services	15,456	1,519	-	13,937
Homeland Security Grant	162,729	-	-	162,729
Other Funds	<u>651,619</u>	<u>651,619</u>	<u>-</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	<u>2,410,840</u>	<u>712,093</u>	<u>( 727,401 )</u>	<u>971,346</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,458,987</u>	<u>\$ 1,696,165</u>	<u>\$ ( 727,401 )</u>	<u>\$ 1,035,421</u>

<sup>(1)</sup> Represents Federal revenue reported in the Basic Financial Statements but not subject to Single Audit at the County level. These funds are administered and audited at the Michigan Department of Transportation on behalf of the County.

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
of Branch County  
Coldwater, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of and for the year ended December 31, 2005, which collectively comprise Branch County's basic financial statements and have issued our report thereon dated April 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Branch County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Branch County in a separate letter dated April 7, 2006.

This report is intended solely for the information and use of management and the Board of Commissioners of Branch County, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 7, 2006

East Lansing ■ Rochester Hills ■ St. Johns

Branch County, Michigan

SCHEDULE OF FINDINGS

Year Ended December 31, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We noted no reportable conditions related to internal controls or compliance related to the major programs tested.

The major program tested to cover 25 percent of the total Federal expenditures was the Child Support Enforcement Program (Title IV-D) (CFDA #93.563). Total Federal expenditures for the year ended December 31, 2005, for the major program were \$676,952, which is approximately 65 percent of total Federal Award expenditures. The County qualified as a low-risk auditee.

The County had one (1) Type A program, the Child Support Enforcement Program (Title IV-D) (CFDA #93.563). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Basic Financial Statements.

None

Findings Related to Compliance with Requirements to the Basic Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

Branch County, Michigan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
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MANAGEMENT LETTER

To the Board of Commissioners  
of Branch County  
Coldwater, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Branch County, Michigan for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of internal control and our discussions with management.

1. The County should review all bank accounts with the County's Federal Identification Number.

During the course of our audit, it was noted that the three (3) organizations opened bank accounts using the County's Federal Identification Number without the County's knowledge. This issue was noted and reported in our comments last year.

We suggest the County require these organizations to open new bank accounts using appropriate identifying information and cease using the County's Federal Identification Number.

2. The County should review the status of individual fund balances (deficits) near year-end.

As noted in the basic financial statements, the County had five (5) funds that ended the year in a deficit financial position. A similar issue was noted and reported in our audit comments last year.

We suggest the County review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits.

3. The County should adopt budgets for all funds and make year-end budget amendments incorporating audit accruals.

As noted in the financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. We noted several variances in the General and Special Revenue Funds. Some of the variances noted were the result of audit accrual entries. We also noted that the County's procedures do not include an independent review of the available budget amounts prior to expenditure of funds. This issue was noted and reported in our audit comments last year.

The Michigan Public Act 621 of 1978, as amended, provides that the County shall not incur expenditures in excess of the amounts appropriated.

Although the County monitors expenditures against the adopted budget on a periodic basis, we suggest anticipated audit accruals be incorporated into year-end budget amendments and adopt a budget for all applicable funds. We also suggest the County consider implementing a centralized procedure (i.e., purchase requisition/order system) that could be utilized to review available budget amounts prior to the expenditure of funds.



These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated April 7, 2006.

This report is intended solely for the use of management and the Board of Commissioners of Branch County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 7, 2006